

Utah!

UTAH TOURISM SUMMIT 2002

OUTLOOK ON U.S. TOURISM AN OVERVIEW 2002 - 2003

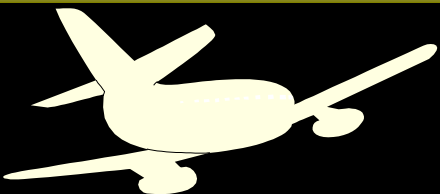


Presented By: Mary Jo Torrey,
Manager, Cooperative Research,
Travel Industry Association

THE BAD NEWS

- Many sectors of the U.S. travel industry still struggling
- International inbound travel to the U.S., business travel, air travel, hotel performance, travel expenditures and travel employment have still not returned to pre-9/11 levels

OVERSEAS ARRIVALS TO U.S. STILL DEPRESSED



	<u>2001</u>	<u>Q1 '02</u>	<u>Q2 '02</u>
Overseas Arrivals	-15%	-17%	-17%
Japan	-19%	-31%	-21%
Brazil	-23%	-31%	-20%
UK	-11%	-2%	-13%

Source: OTTI



DOMESTIC BUSINESS TRAVEL STILL IN THE DOLDRUMS



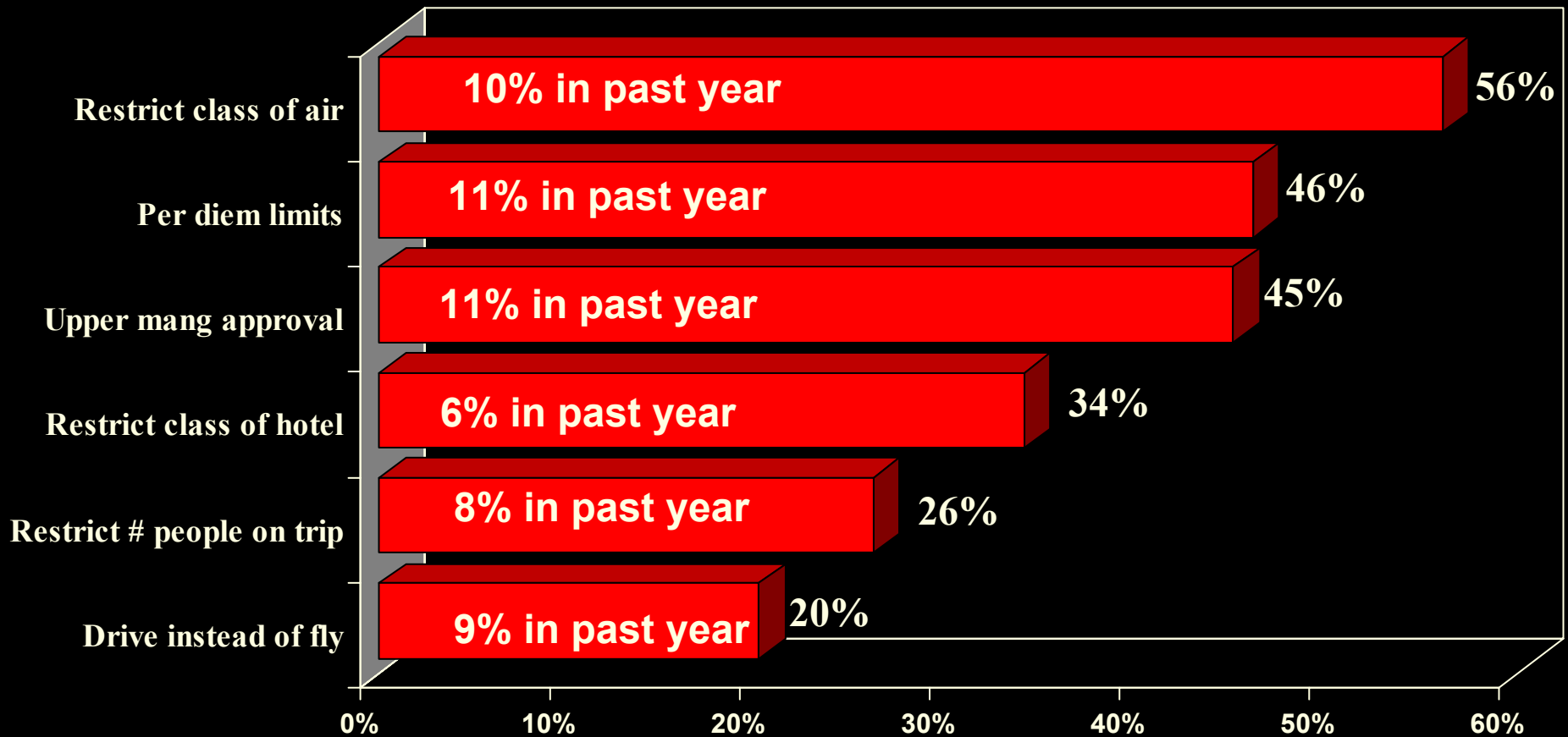
	1st Half	
	<u>2001</u>	<u>2002</u>
Total Business Travel	-3%	-9%
Business Travel by Air	-9%	-20%
Business Travel by Auto	-1%	-3%



Source: TIA's TravelScope®



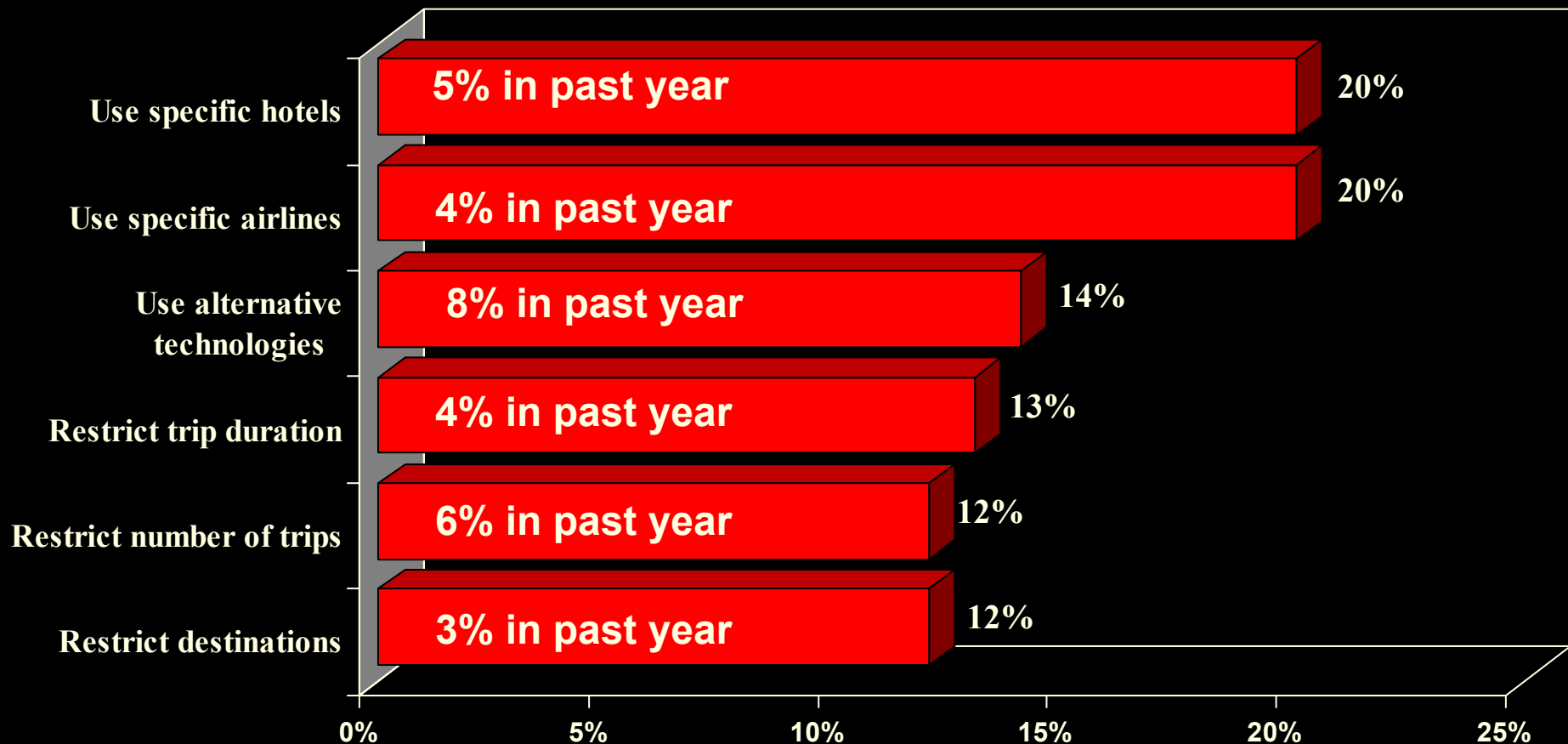
CURRENT TRAVEL POLICIES AMONG AIR BUSINESS TRAVELERS



Source: TIA and BTS



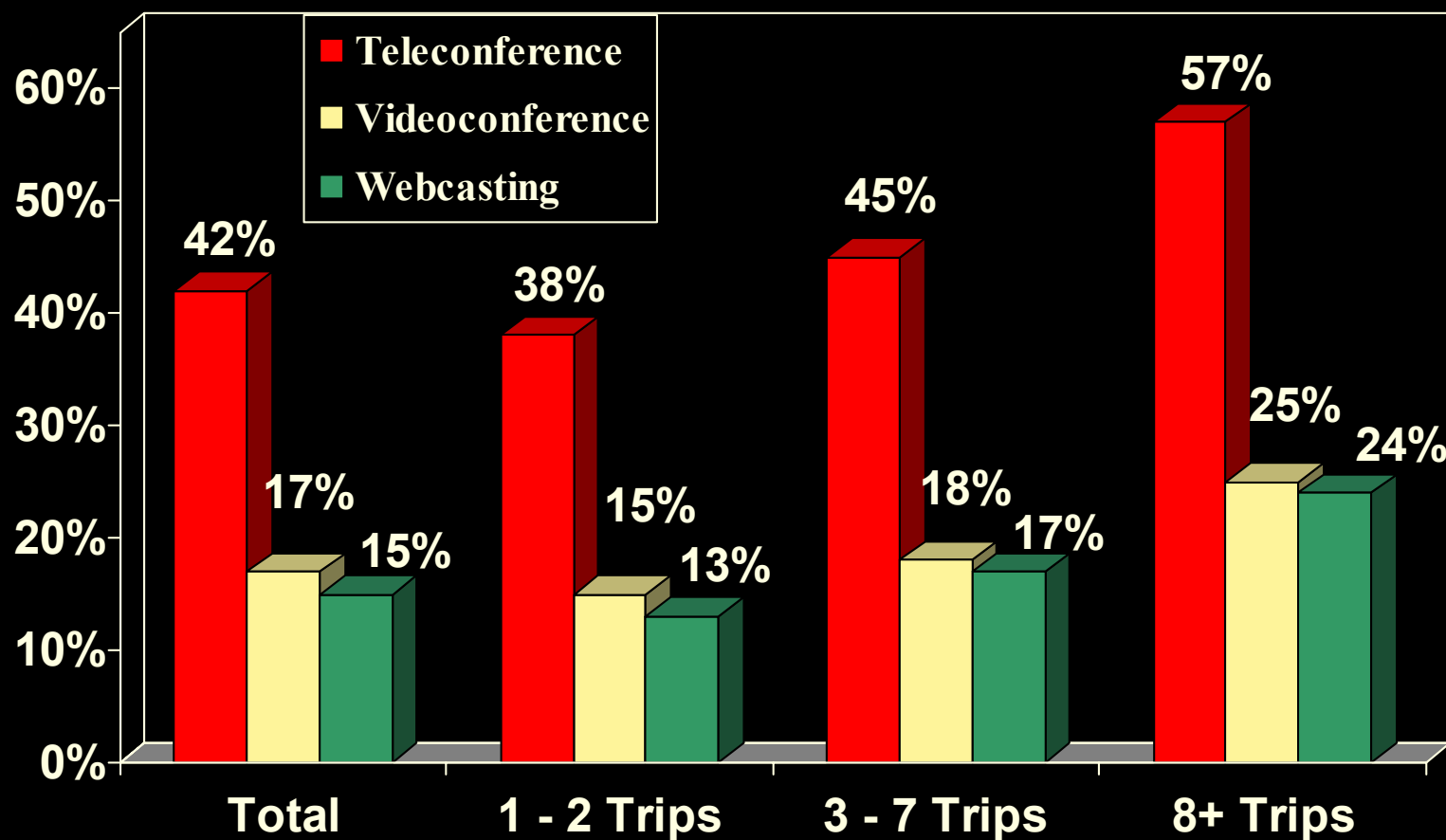
CURRENT TRAVEL POLICIES AMONG AIR BUSINESS TRAVELERS



Source: TIA and BTS



USE OF ALTERNATIVE TECHNOLOGIES AMONG BUSINESS AIR TRAVELERS IN PAST YEAR



DOMESTIC BUSINESS TRAVEL



**A sea change in patterns
or
short-term cyclical
downturn?**

GOOD NEWS

DOMESTIC LEISURE TRAVEL



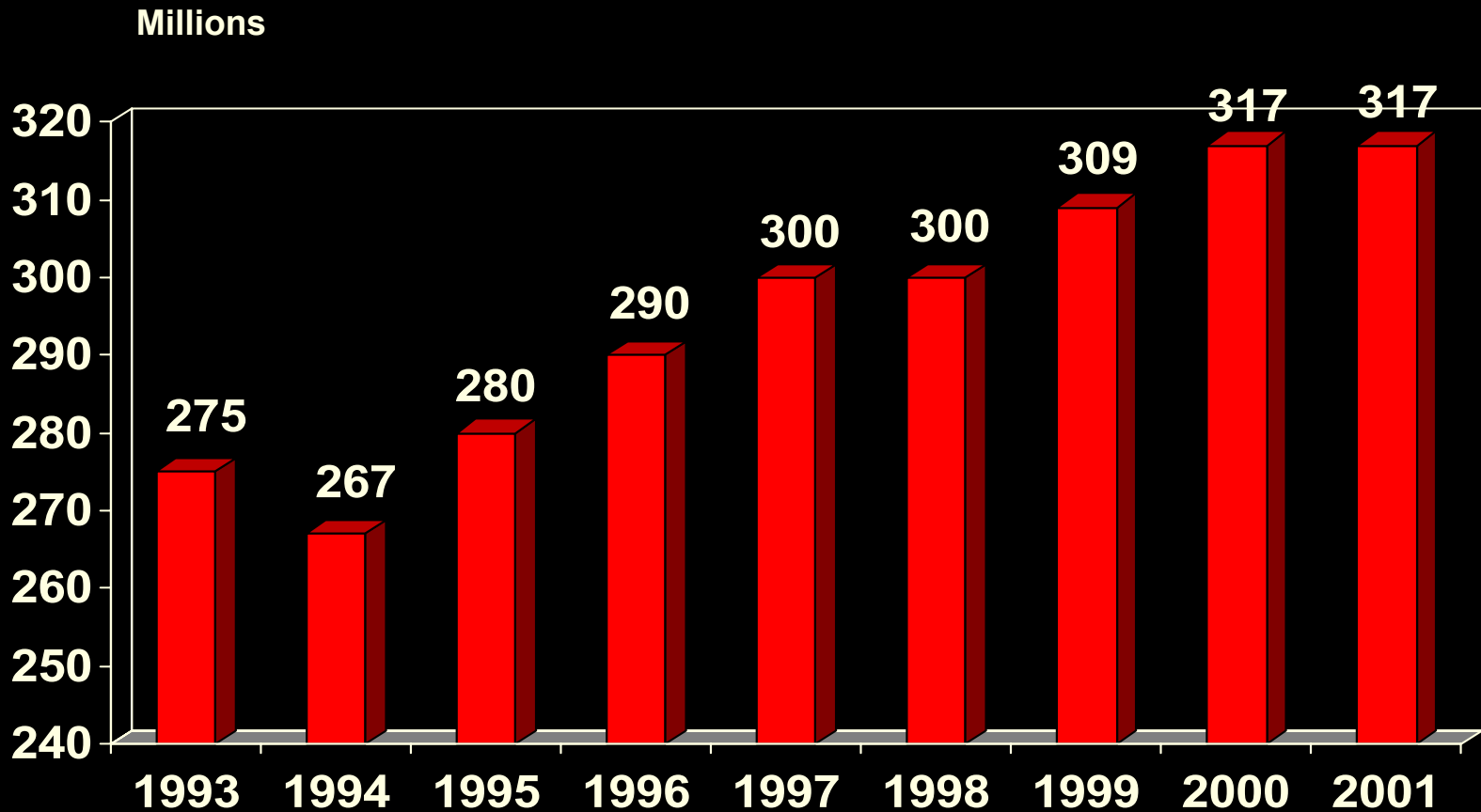
- **Leisure travel up 3% in 2001 and up 2% in first half of 2002**
- **Americans getting back to basics and changing travel patterns**
- **Traveling more by car/RV and less by air**
- **Heightened preference for domestic travel**

DOMESTIC LEISURE TRAVEL



- More interest in making connections - with family and with America - its heritage, cultural and natural environment
- Travel with outdoor recreation activities up; RV travel strong
- More interest in historic and cultural travel
- Later bookings
- Cutting back on travel spending

ATTENDANCE AT 450 NORTH AMERICAN THEME PARKS FLAT IN 2001



Source: Amusement Business



PACKAGED TRAVEL DOWN 6% IN 2001



- **\$99 billion spent on packaged travel purchased by U.S. residents in 2001 – down 6%**
- **6% increase - pleasure packages vs 33% decline - business packages**
- **North American destinations popular – New York City, Branson, Washington, DC**
- **Later bookings**

CRUISE TRAVEL GROWING



- **6.9 million cruisers in 2001, slightly above 2000**
- **3.8% increase in cruisers in first half of 2002; target 7.4 million cruisers in 2002**
- **Heightened interest in cruising closer to home**
- **More first-time cruisers and children**
- **42 new ships from 2002 – 2006; 7% annual capacity growth**
- **Only 13% of population have ever cruised**

RV TRAVEL STRONG

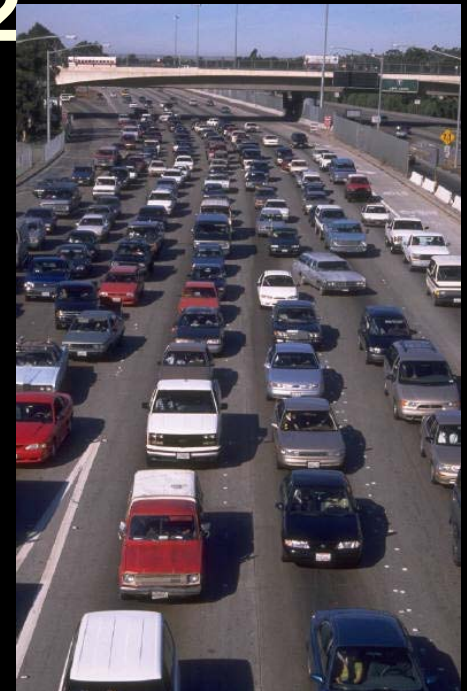


- **7.2 million RVs on the road in 2001**
- **RV rentals skyrocketed 30% during Q4 '01 and have remained at that level through 2002**
- **RV shipments up 15% in 2002, third highest since 1978**
- **New, industry-backed \$48 million national ad campaign**

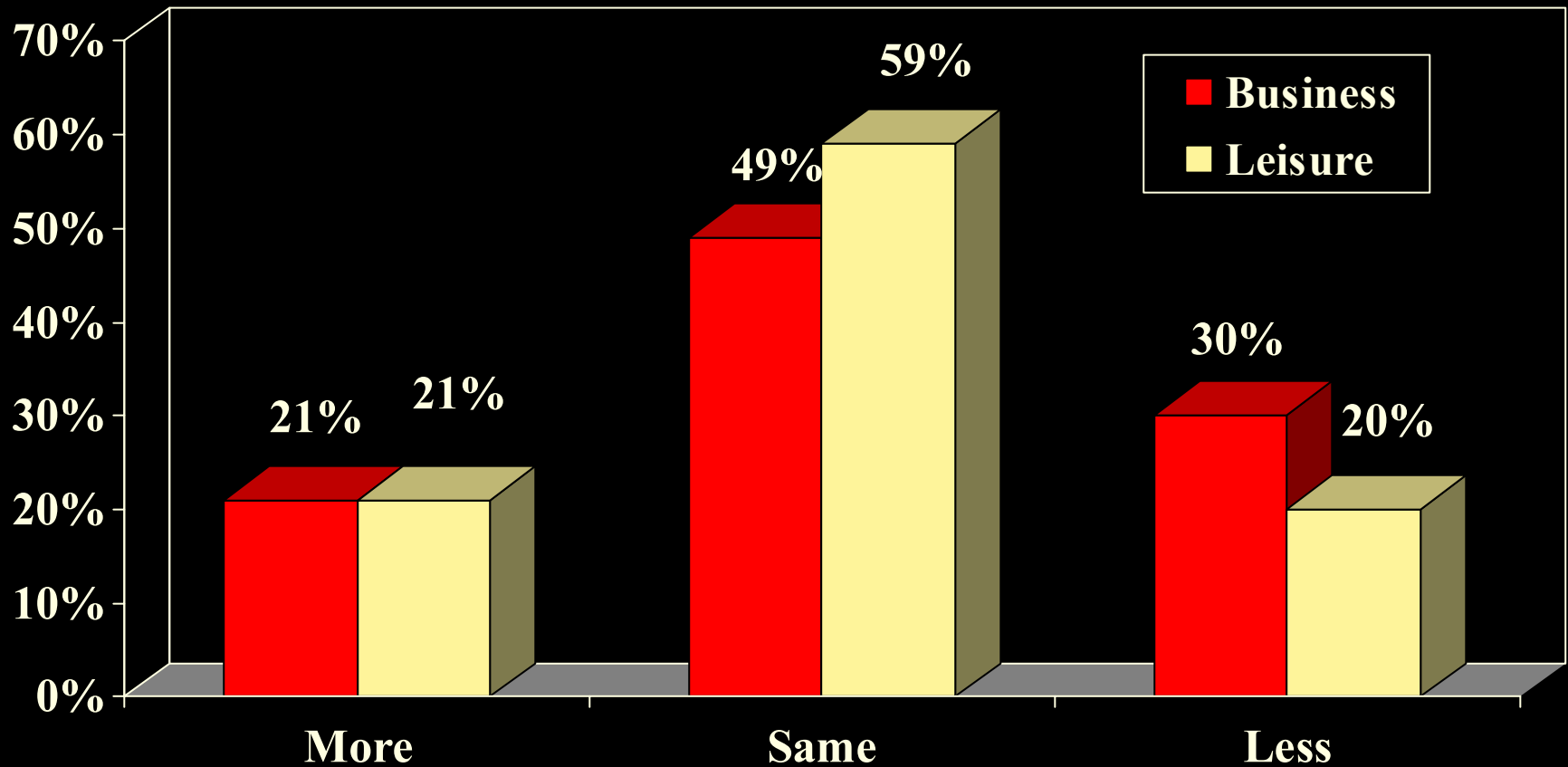


AUTO TRAVEL PERFORMANCE

- U.S. auto travel up 3% in 2001 and up 3% in first six months of 2002
- Holding up well due to:
 - Shifts from air
 - Lower gas prices
 - Shift to closer-to-home travel
 - Increasing interest in family travel
 - Increase interest in RVs



AIR TRAVEL FOR BUSINESS AND LEISURE, LAST 12 MONTHS



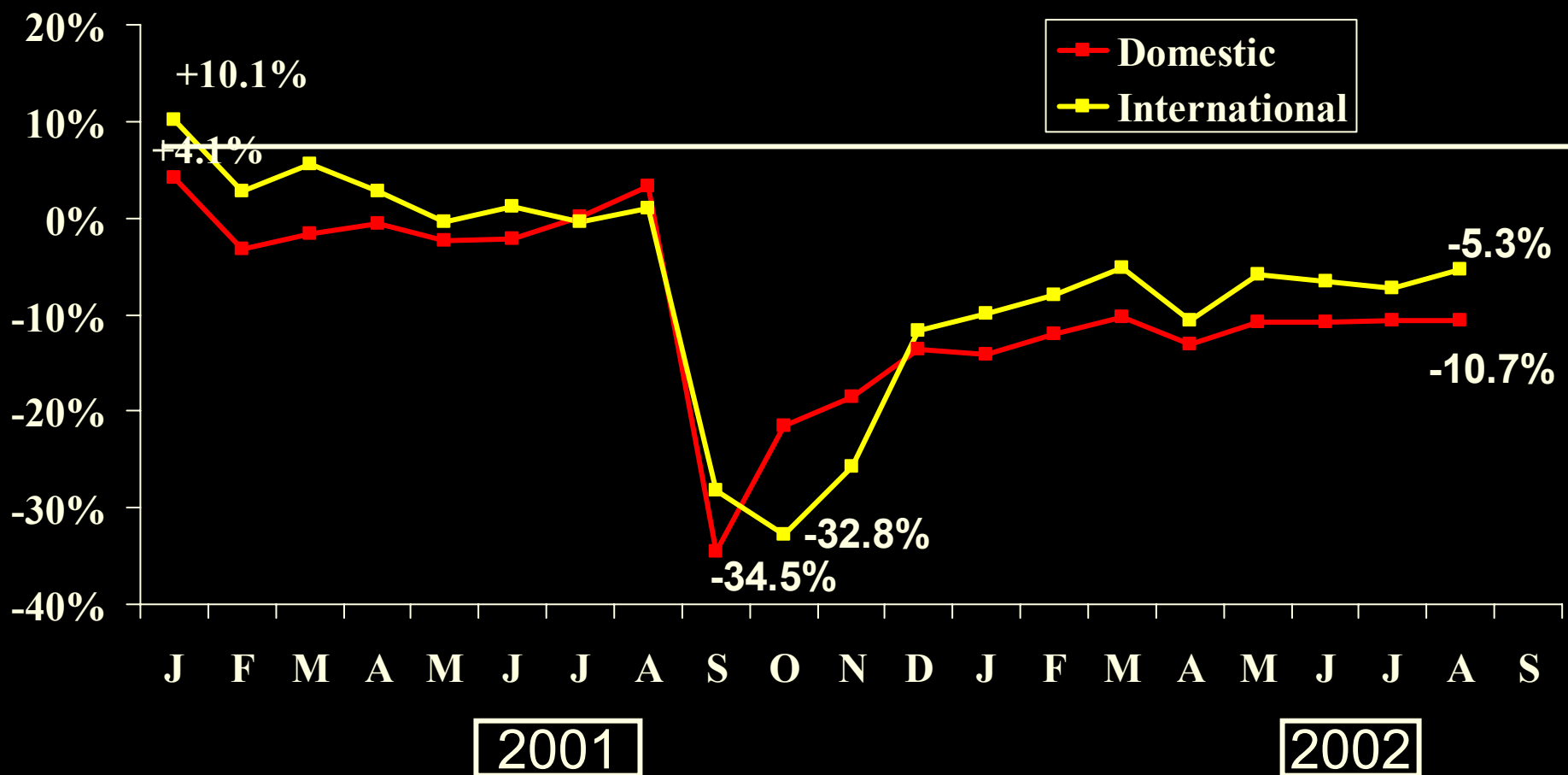
Source: TIA and BTS



AIR TRAVEL RECOVERY STALLED



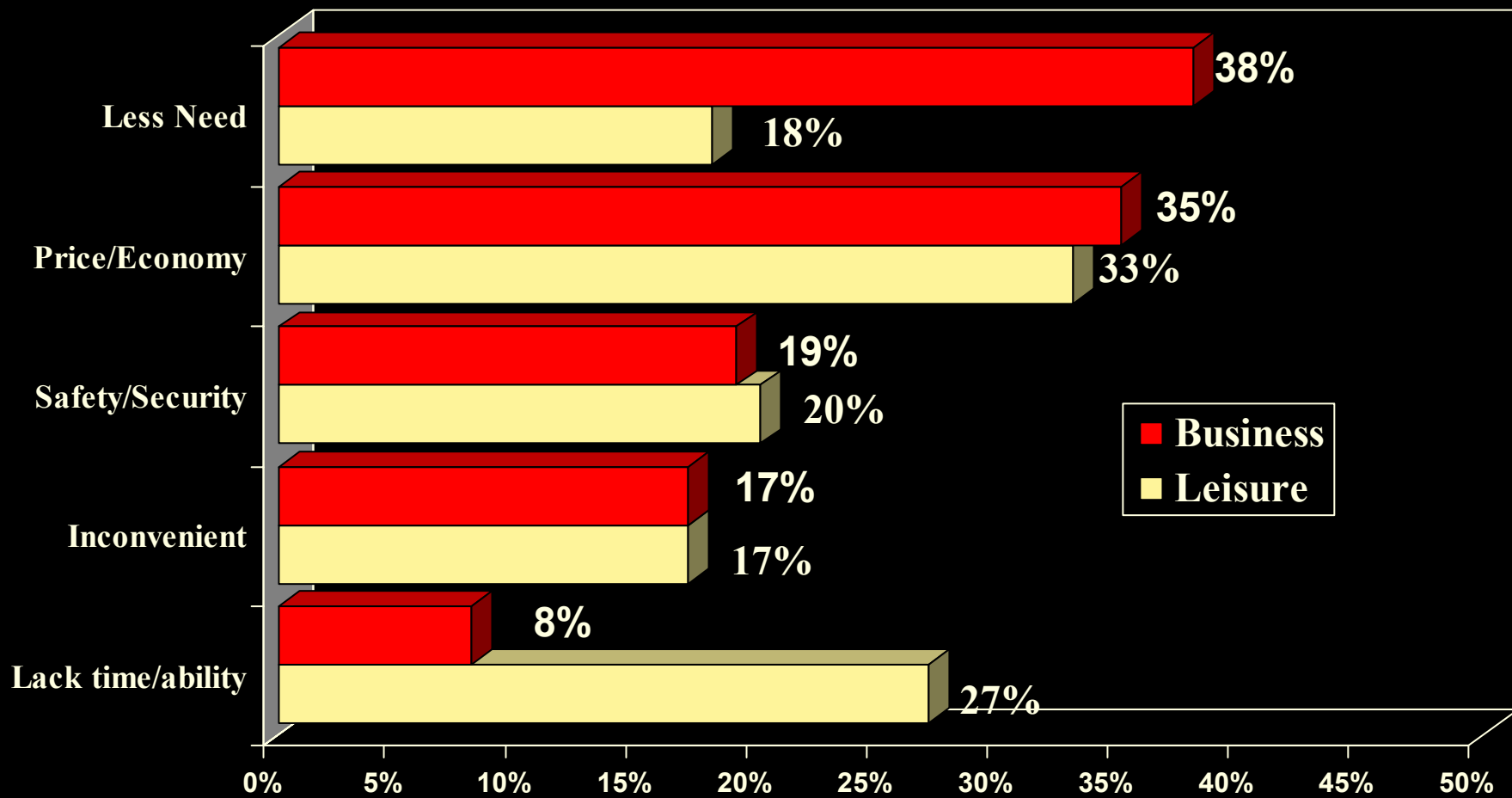
% Change in Enplanements over Prior Year



Source: Air Transport Association



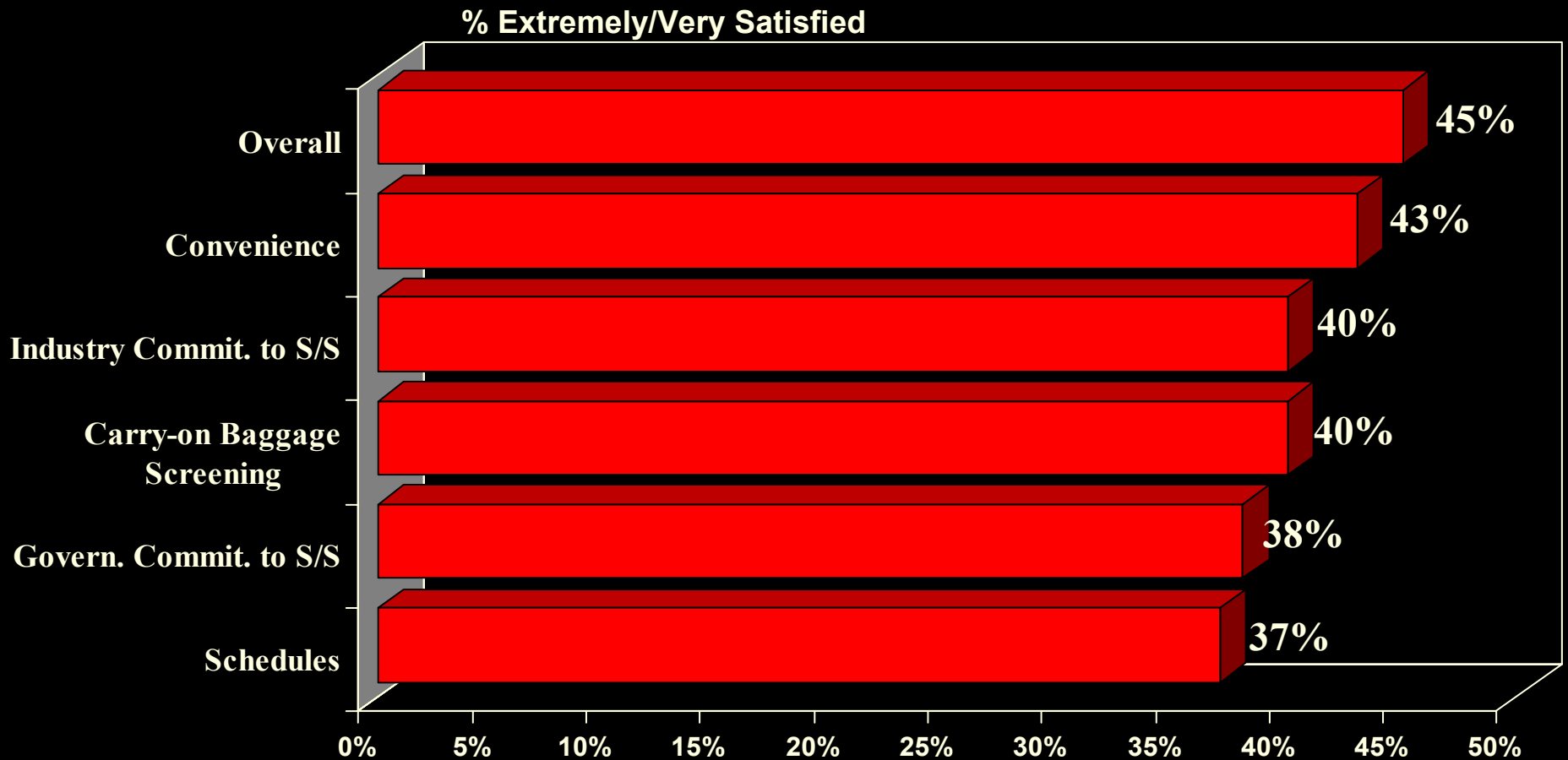
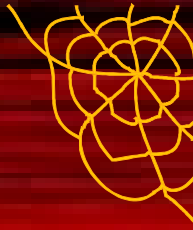
REASONS FOR TRAVELING LESS BY AIR, PAST 12 MONTHS



Source: TIA and BTS



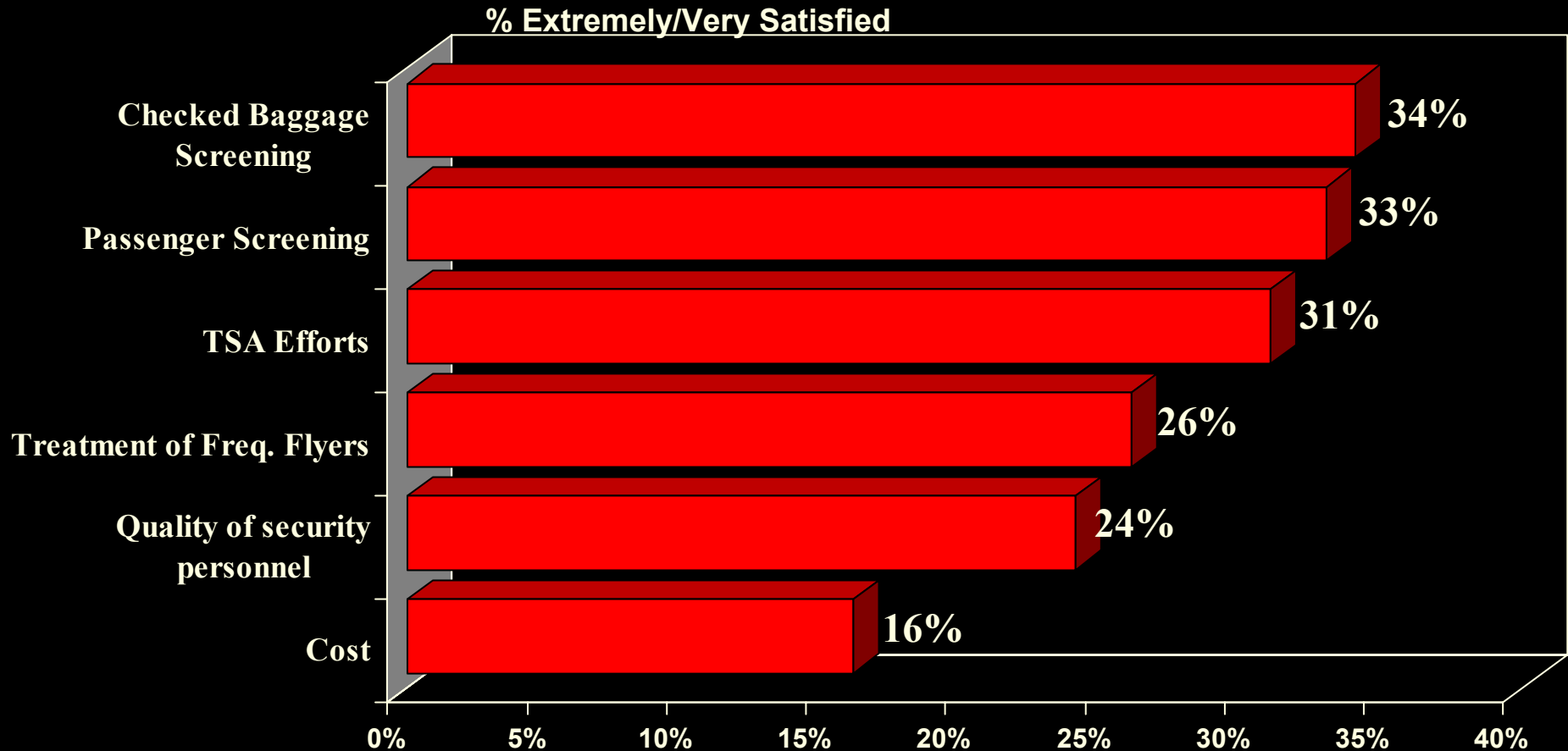
SATISFACTION WITH ASPECTS OF AIR TRAVEL



Source: TIA and BTS



SATISFACTION WITH ASPECTS OF AIR TRAVEL



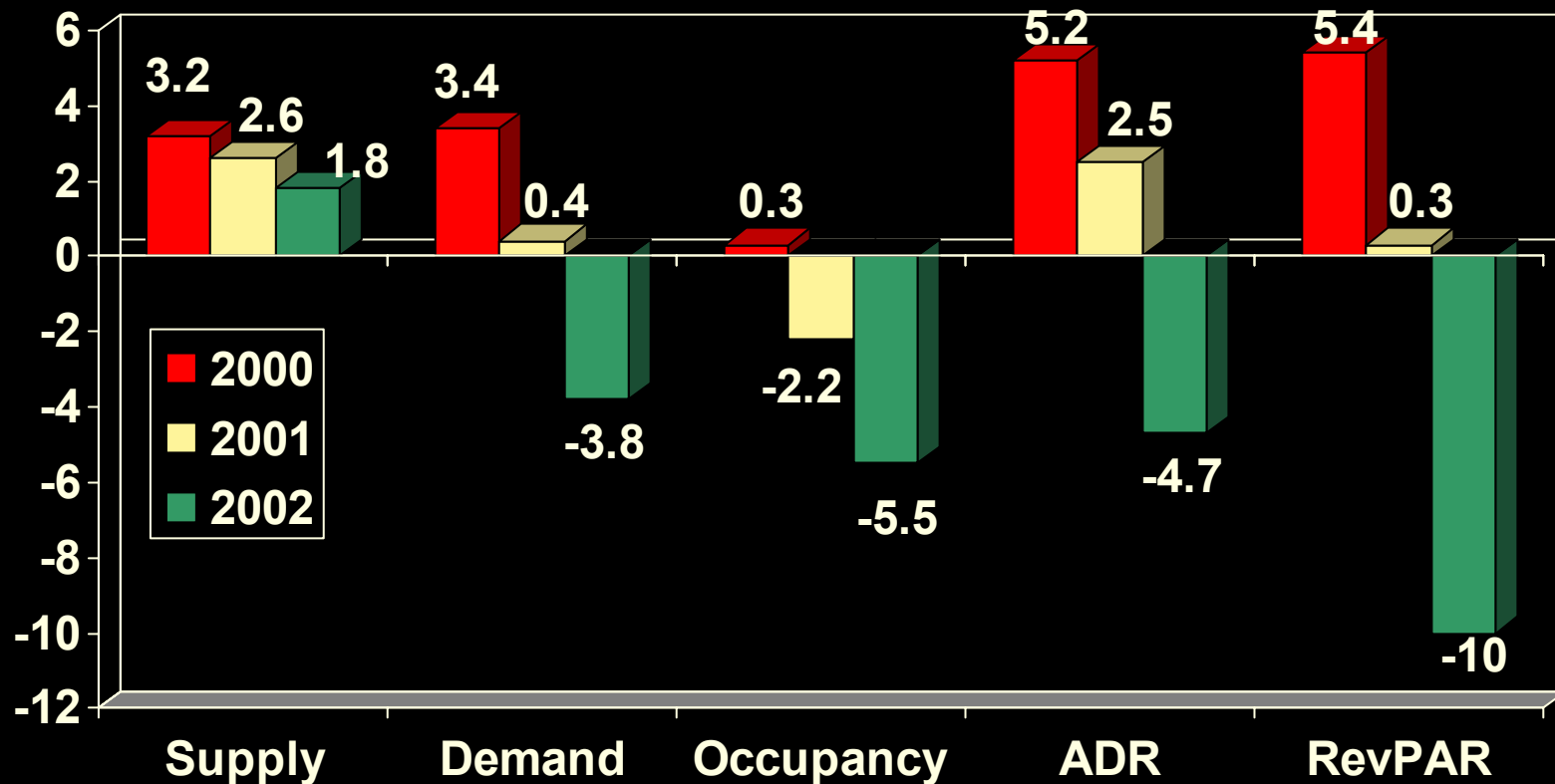
Source: TIA and BTS



HOTEL PERFORMANCE DOWN IN 2002



% Change for 12 Months Ending August



Source: Smith Travel Research

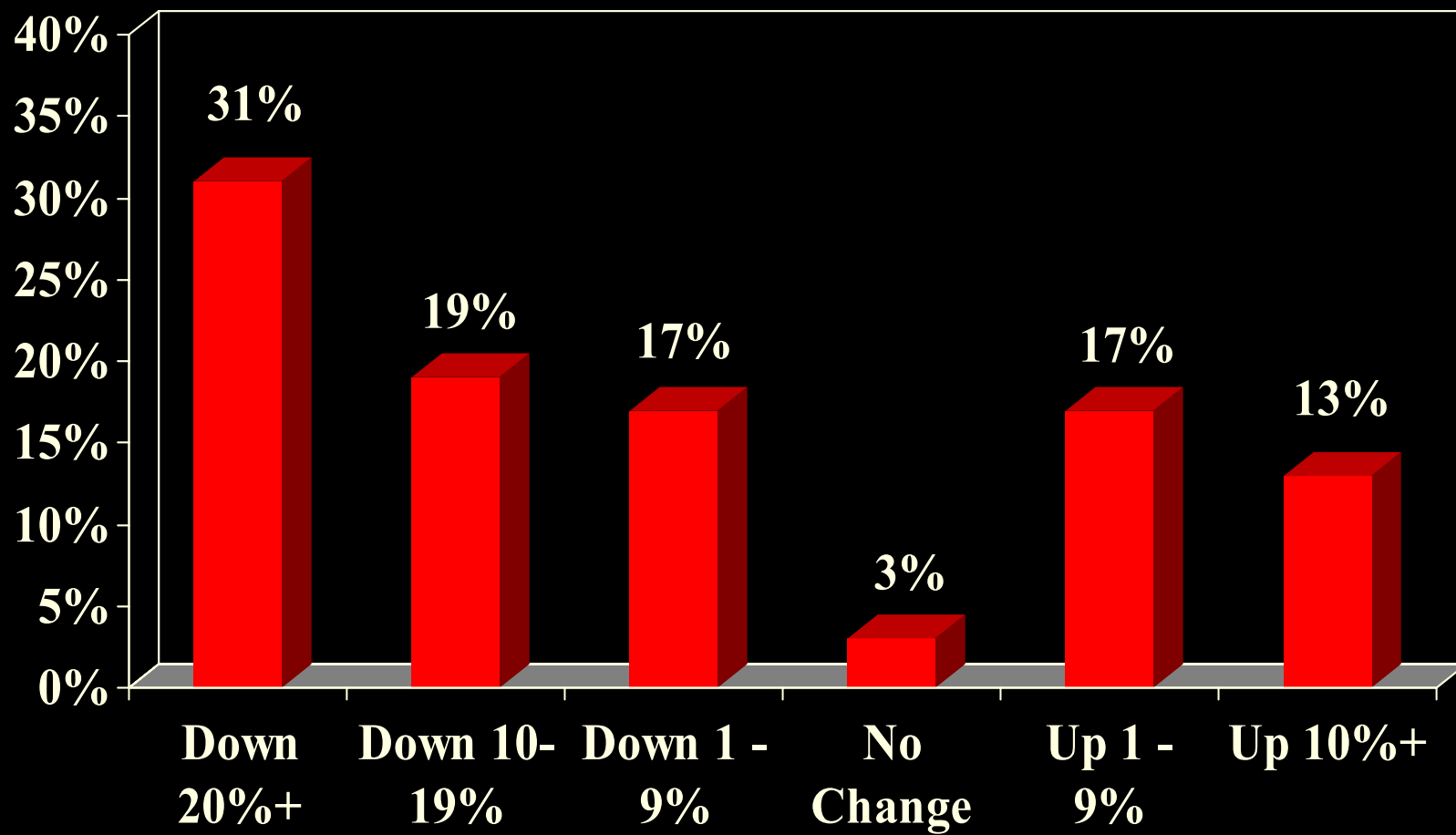


DESTINATION TRENDS



- In many large cities – hotel occupancies still down
- Room rates continue to be depressed
- Destinations more dependent on international markets most negatively impacted
- Destinations more dependent on drive market generally less affected; some have benefited greatly
- Increased promotion, especially to domestic, closer markets

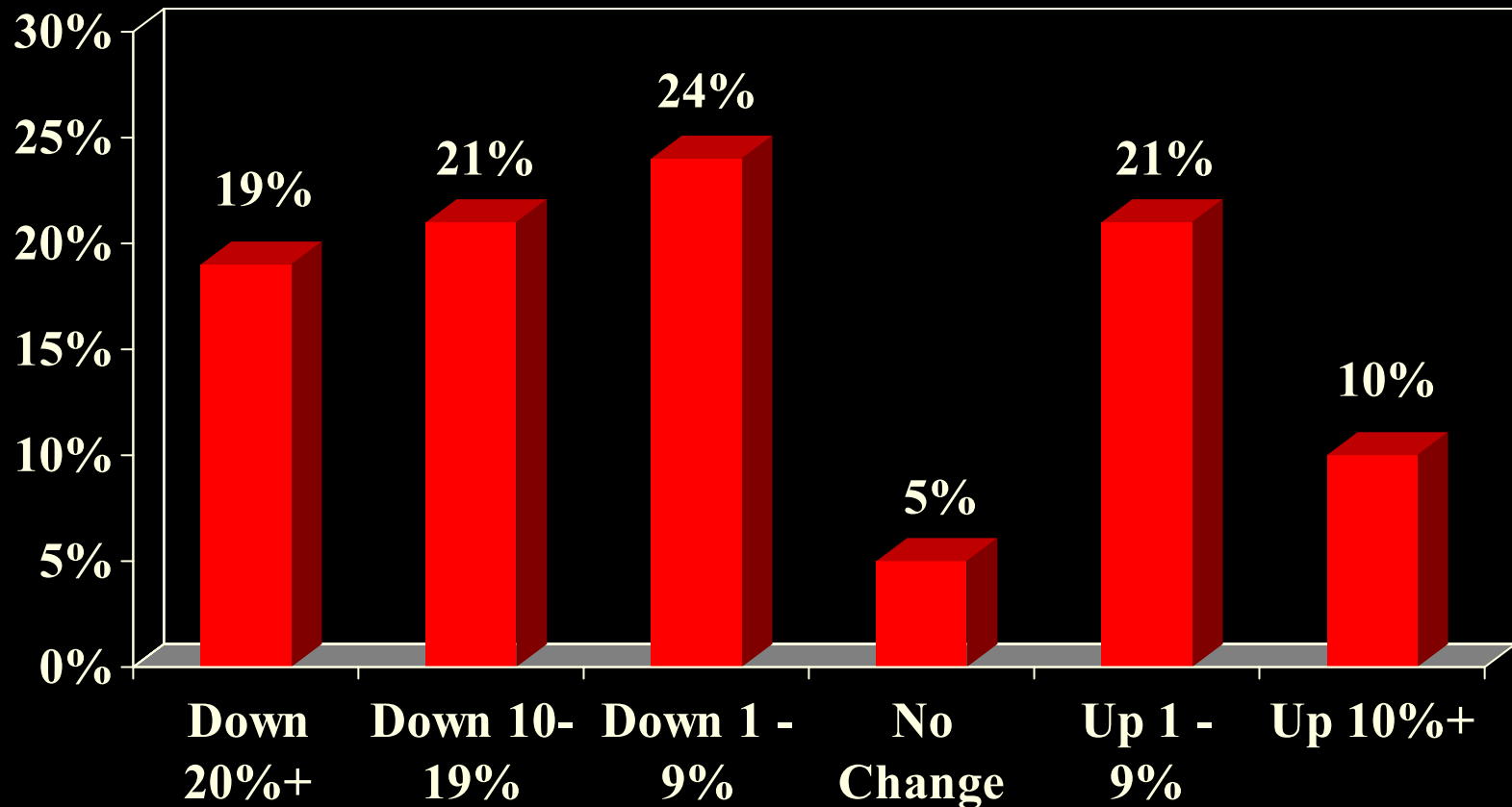
TRAVEL VOLUME IN Q4 '01 AMONG TIA MEMBERS



Source: Travel Industry Association of America



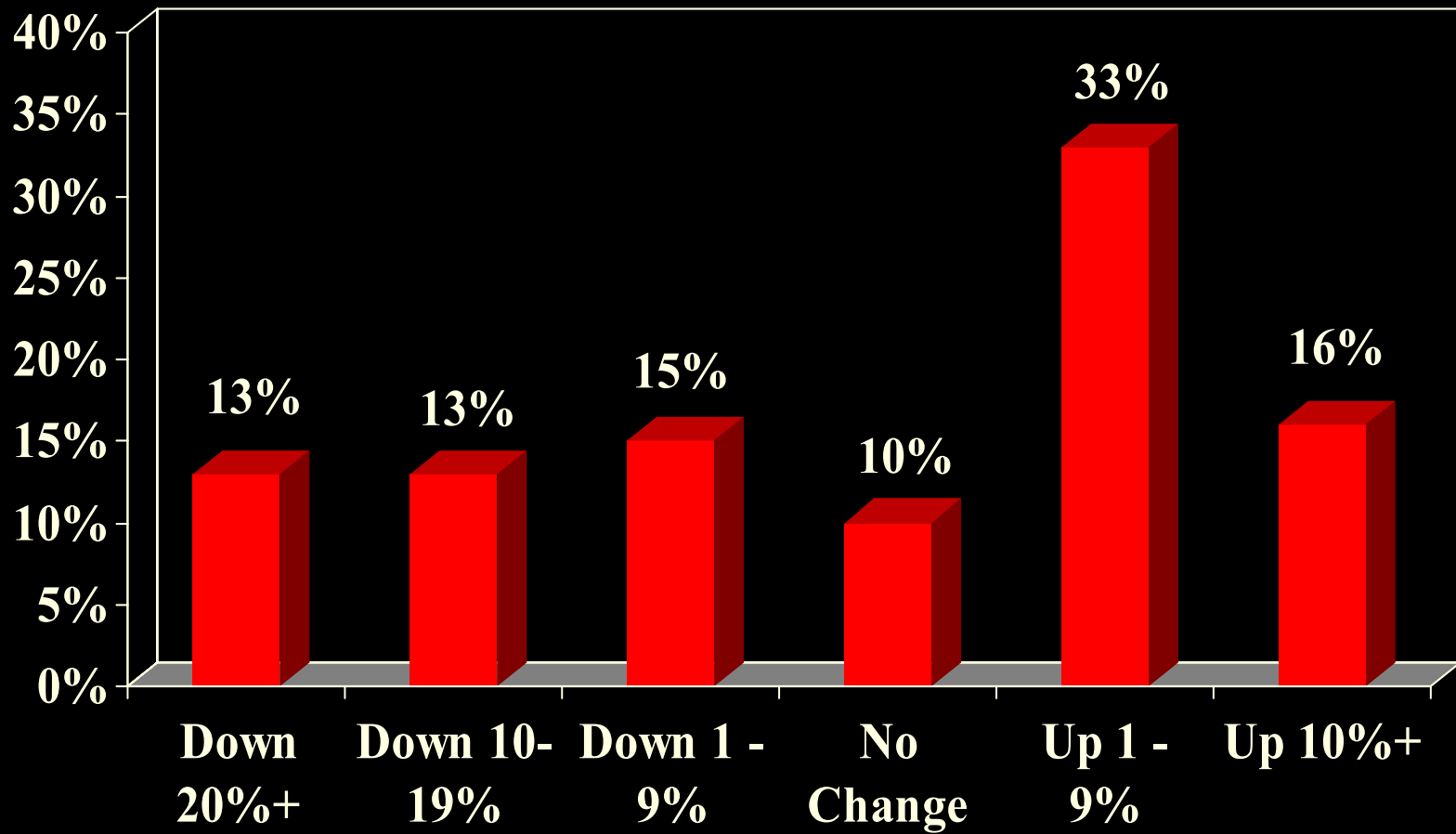
TRAVEL VOLUME IN 2001 AMONG TIA MEMBERS



Source: Travel Industry Association of America



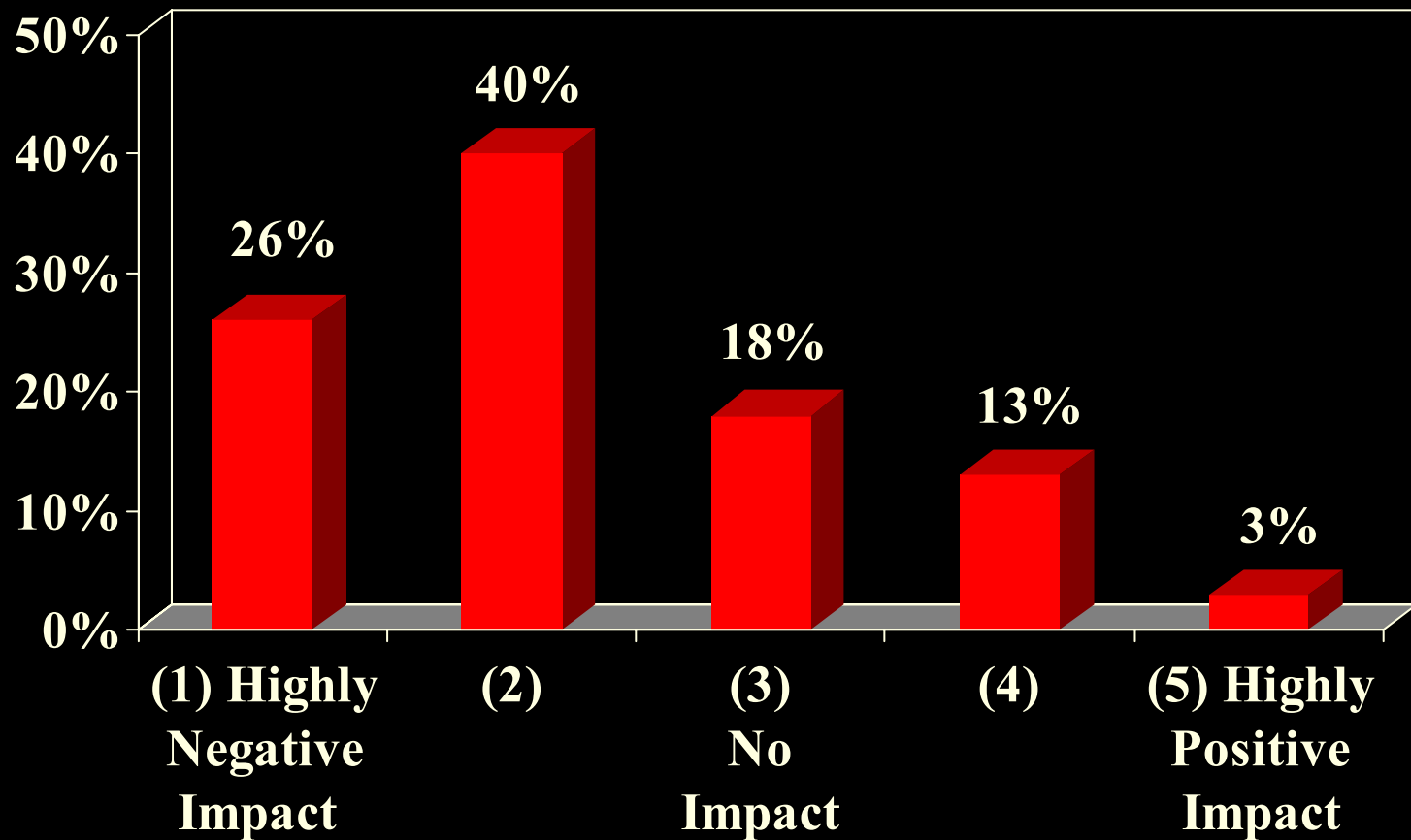
TRAVEL VOLUME IN 2002p AMONG TIA MEMBERS



Source: Travel Industry Association of America



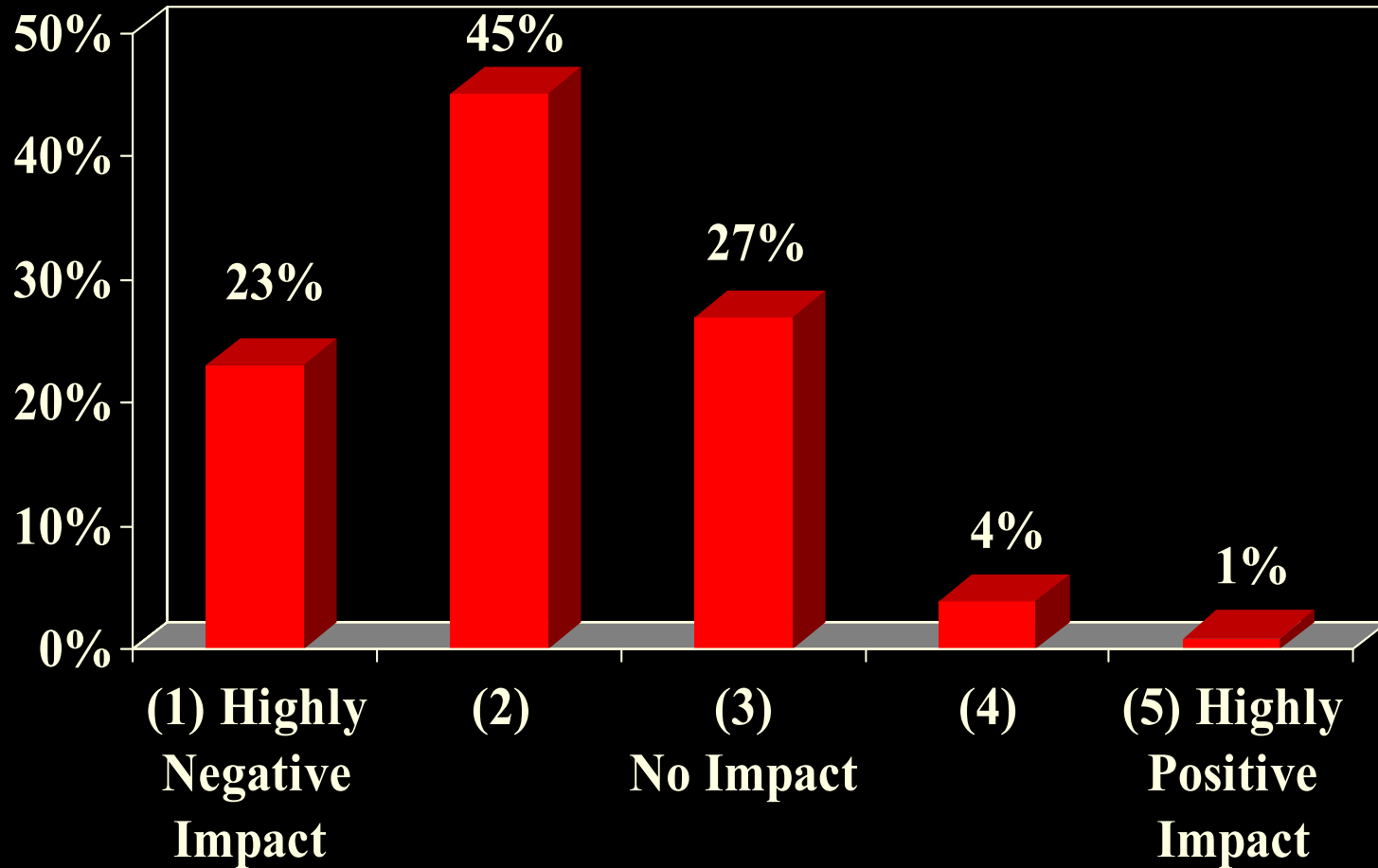
IMPACT OF DECLINE IN AIR TRAVEL ON TIA MEMBERS



Source: Travel Industry Association of America



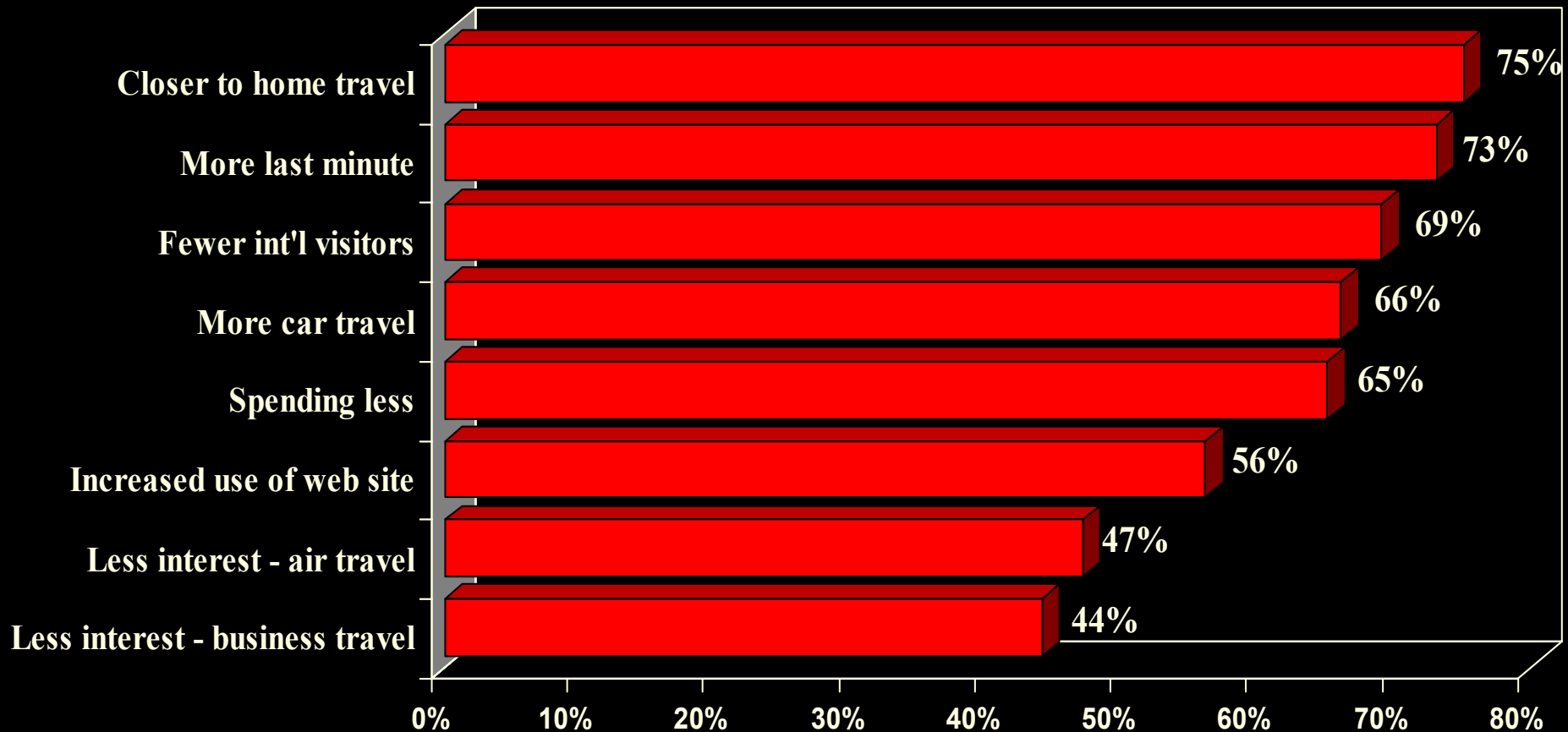
IMPACT OF DECLINE IN BUSINESS TRAVEL ON TIA MEMBERS



Source: Travel Industry Association of America



VISITOR TRENDS REPORTED BY TIA MEMBERS



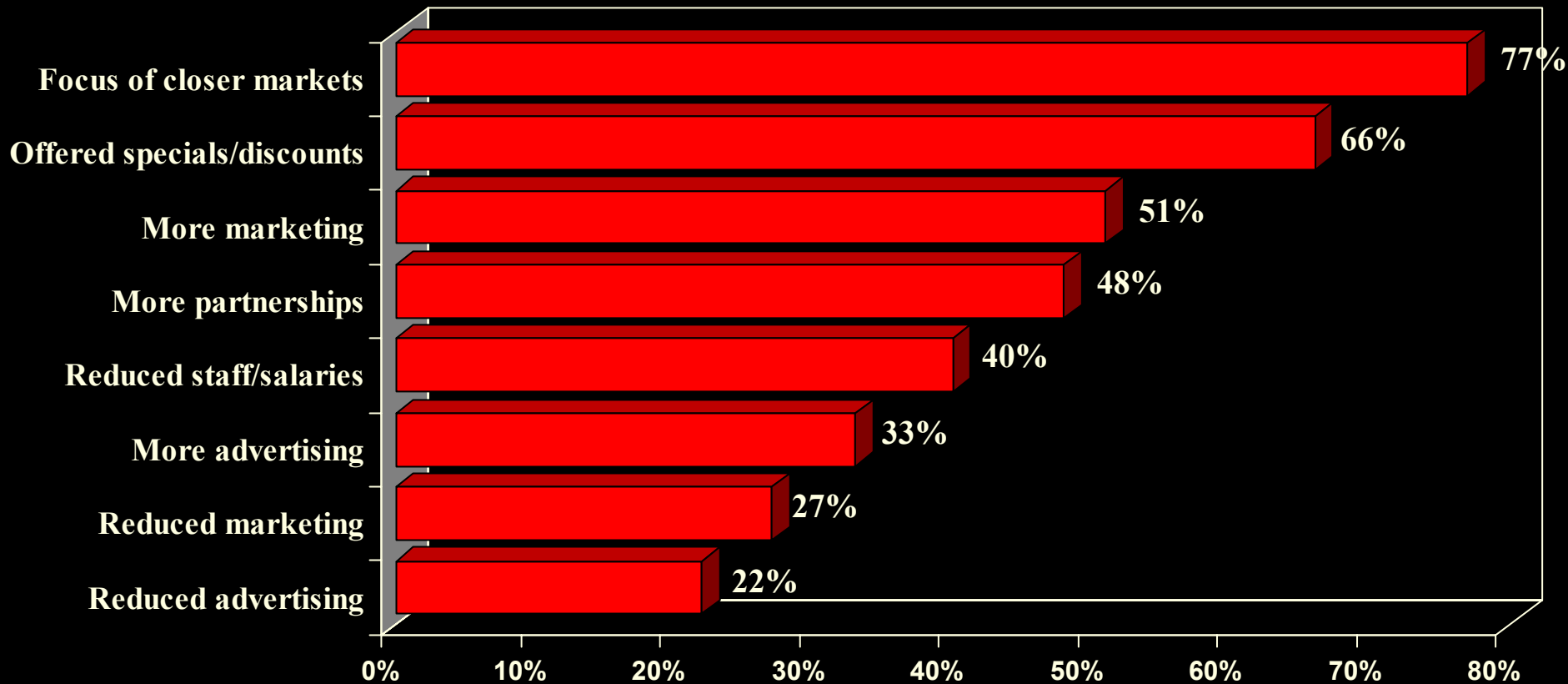
Source: Travel Industry Association of America



CHANGES TO MARKETING AND PROMOTION REPORTED BY TIA MEMBERS



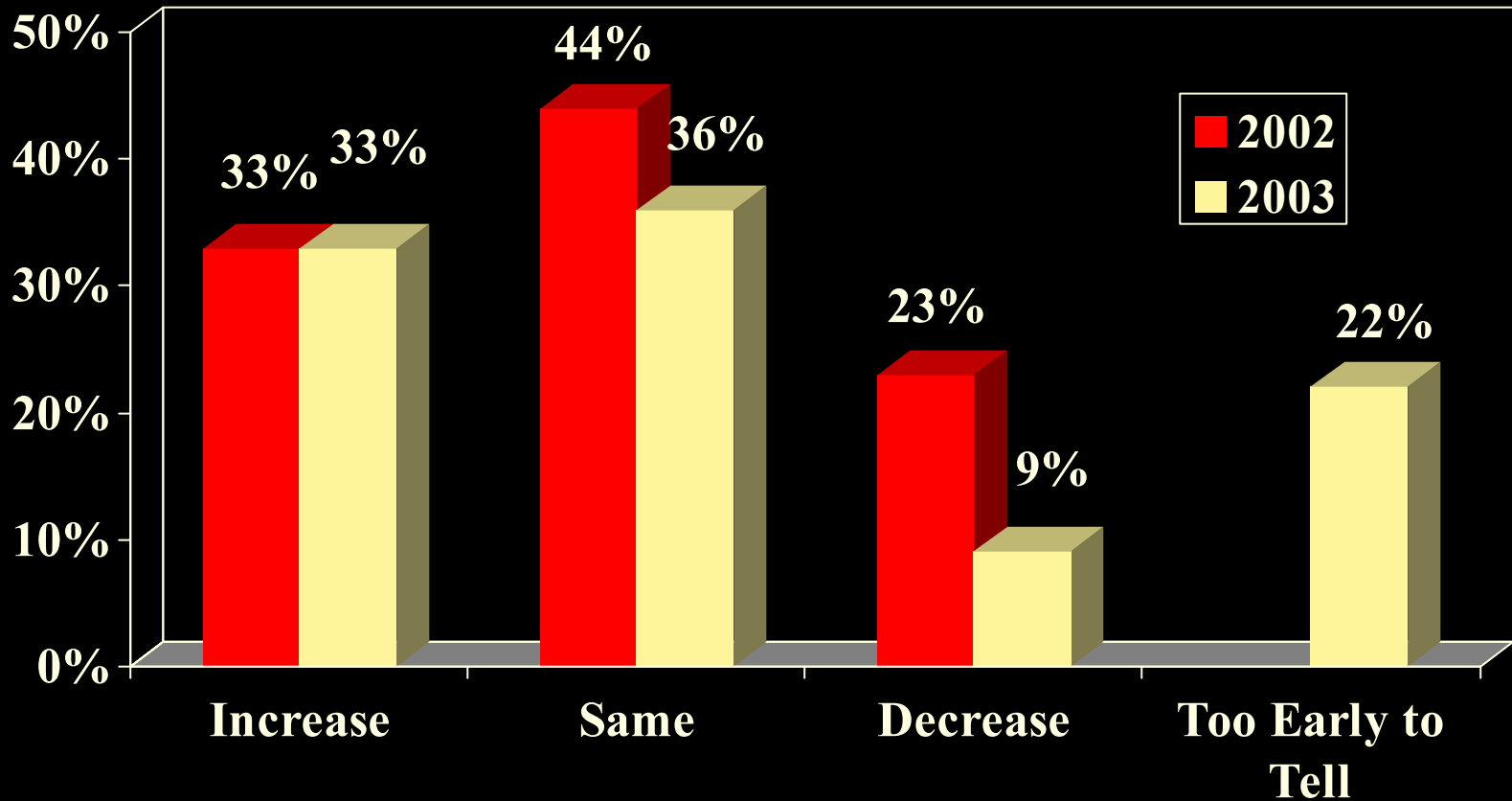
(Among 87% making changes)



Source: Travel Industry Association of America



CHANGES IN ADVERTISING AND MARKETING BUDGETS AMONG TIA MEMBERS

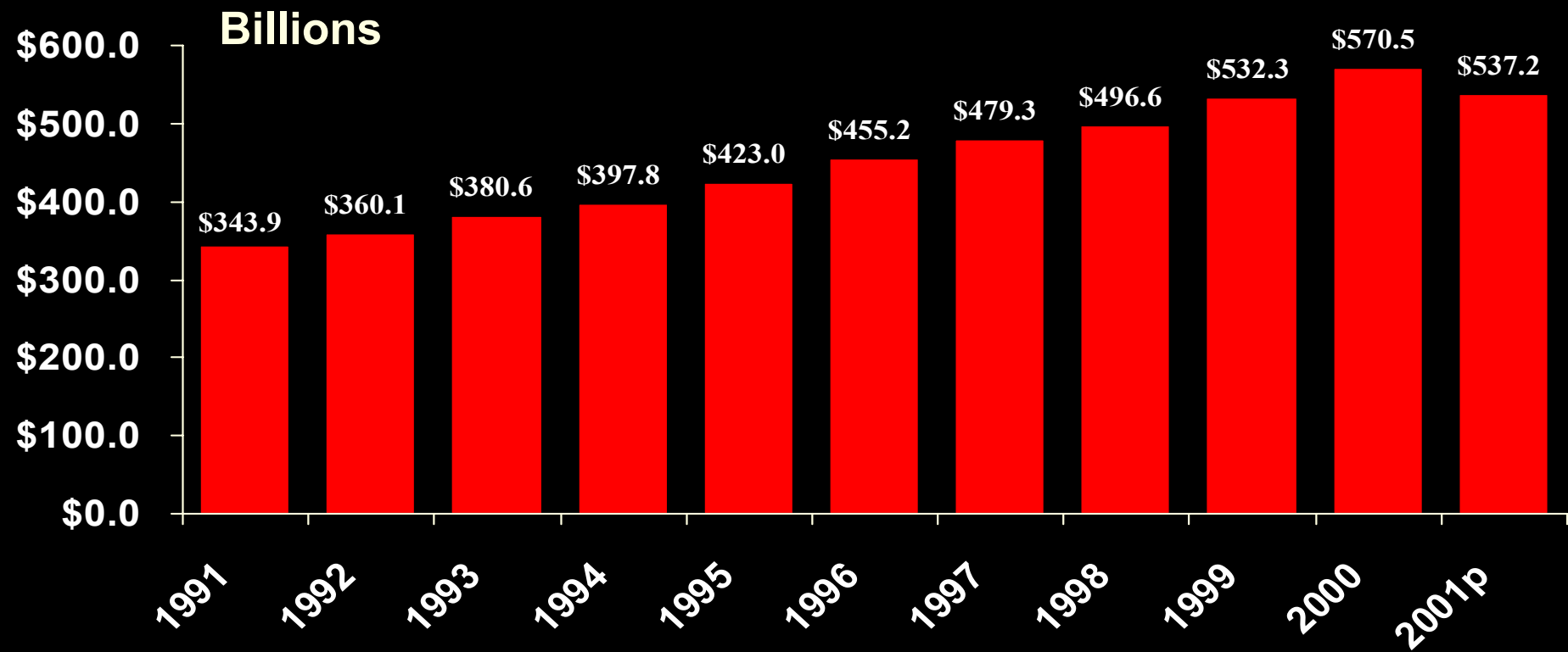


Source: Travel Industry Association of America





DOMESTIC AND INTERNATIONAL TRAVEL EXPENDITURES* DECLINE 5.8% in 2001

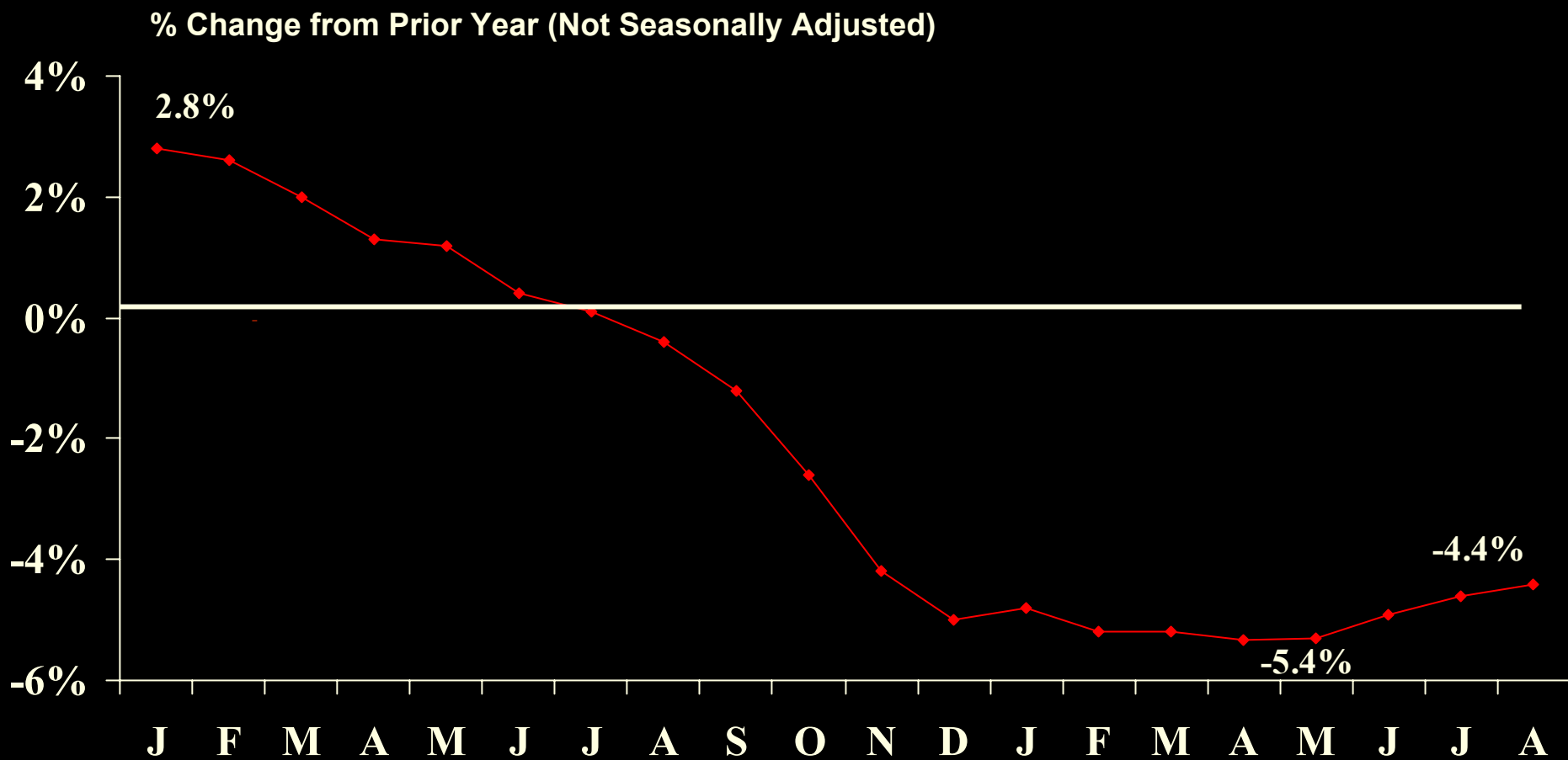


International traveler spending on U.S. carriers made outside U.S. not included
p = preliminary; f = forecast

Source: TIA and OTTI



TRAVEL EMPLOYMENT STILL DOWN 4.4% FROM LAST YEAR



Source: TIA and BLS



TRAVEL EMPLOYMENT LOSSES

- More than 345,000 jobs lost in the travel industry in the 12 months since September 2001
- 296,000 jobs disappeared in the last four months of 2001





**LOOKING
FORWARD**

COMPLEX SET OF FACTORS COULD AFFECT OUR PROSPECTS



- **Economy**
- **Consumer Confidence**
- **Consumer Confidence in Safety and Security of Travel**
- **The Wealth Effect**
- **Shifting Travel Preferences**
- **Further Attacks**
- **War in Iraq?**

ECONOMIC GROWTH EXPECTED

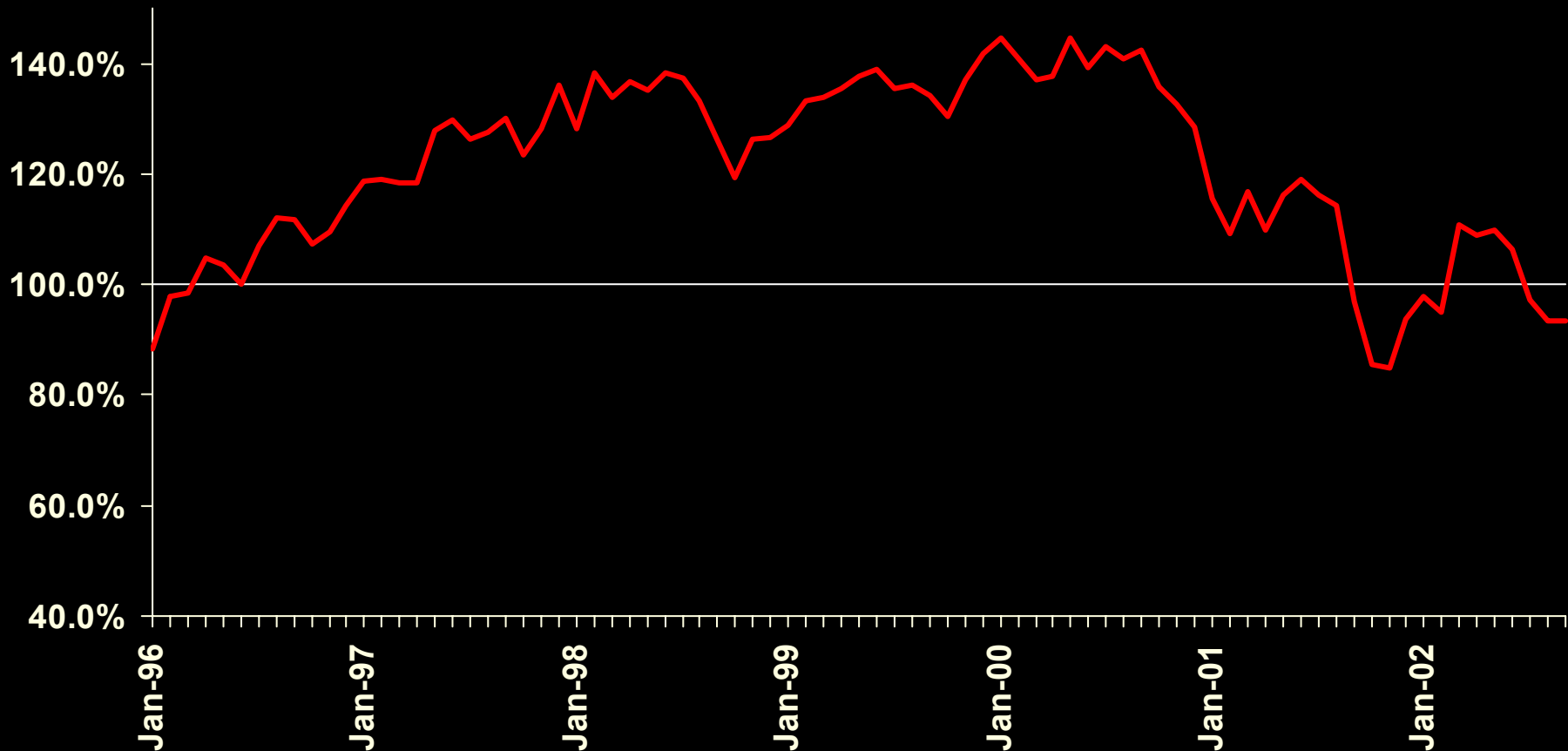


	2001	2002p	2003f
Real GDP	+0.3%	+2.3%	+3.2%
CPI	+2.8%	+1.6%	+2.8%
TPI	+1.1%	+0.5%	+3.3%
Disp. Income	+1.8%	+4.5%	+2.4%
Unemploy.	4.8%	5.9%	6.0%
Corp. Profits	-10.0%	-2.3%	+21.2%

Source: DRI-WEFA



DOUBLE DIP IN CONSUMER CONFIDENCE



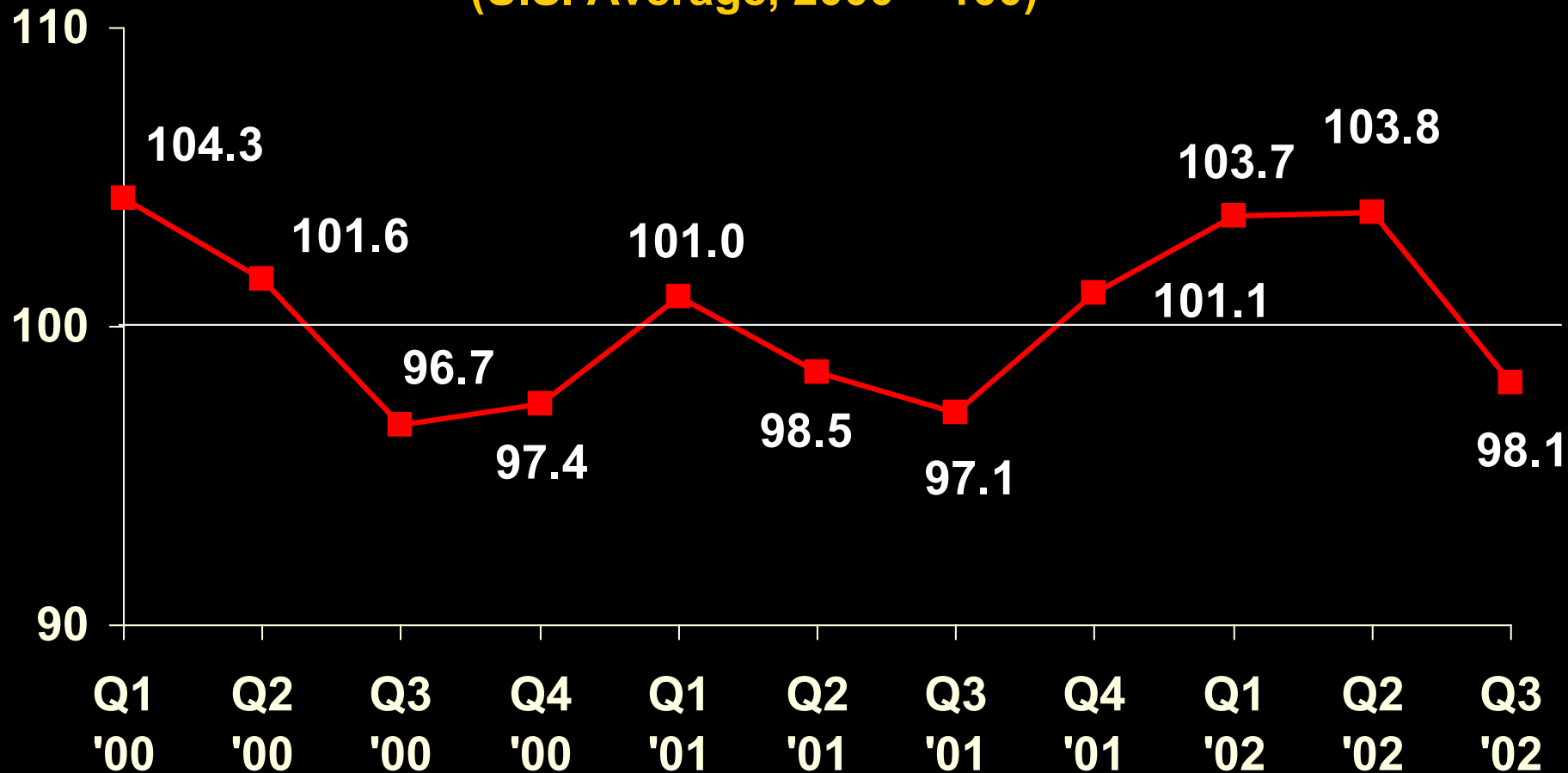
Source: The Conference Board, 1985=100



TIA'S TRAVELER SENTIMENT INDEX DOUBLE DIPS AS WELL



(U.S. Average, 2000 = 100)

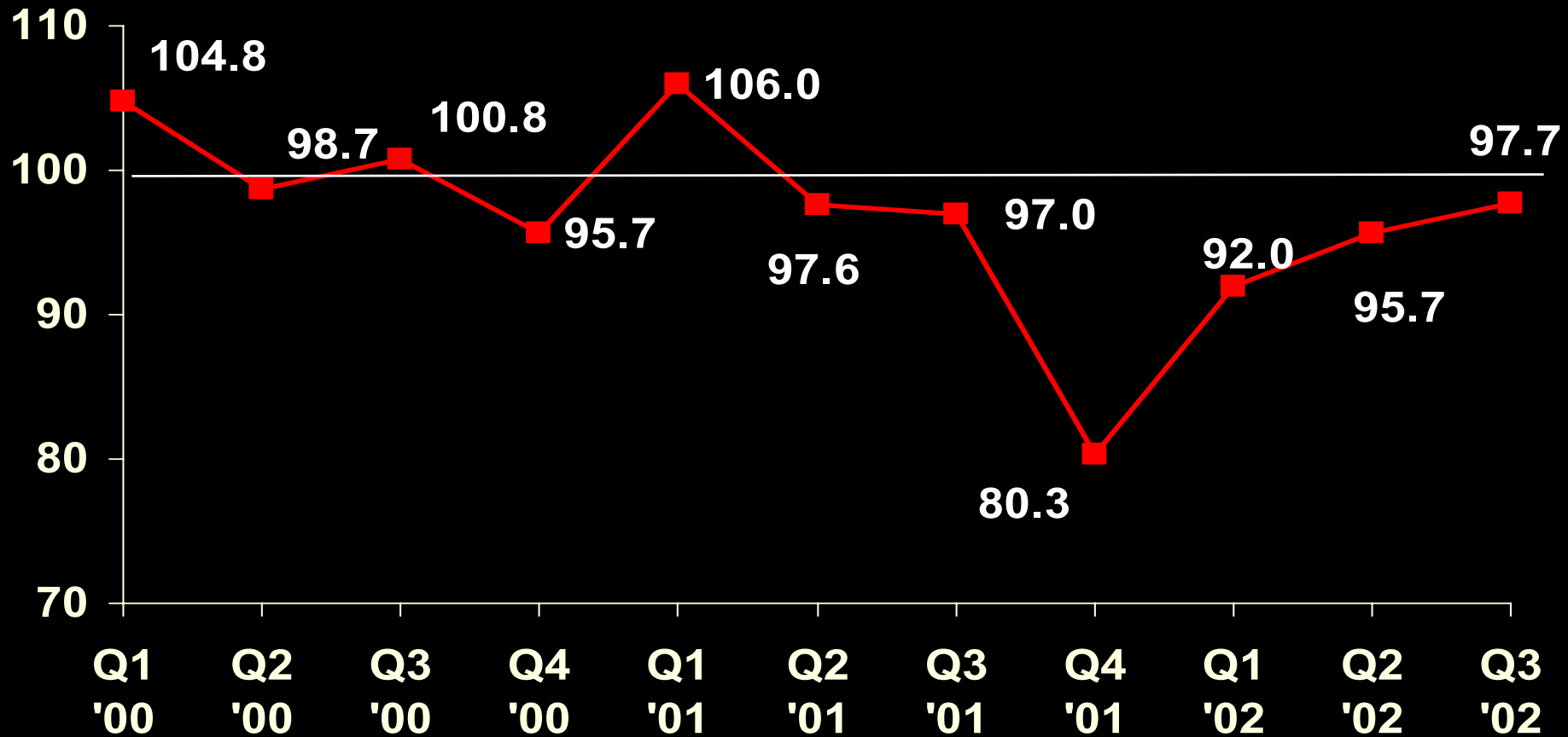


Source: Travel Industry Association of America



INTEREST INDEX

(U.S. Average, 2000 = 100 for Interest in Taking a Pleasure/Vacation Trip)

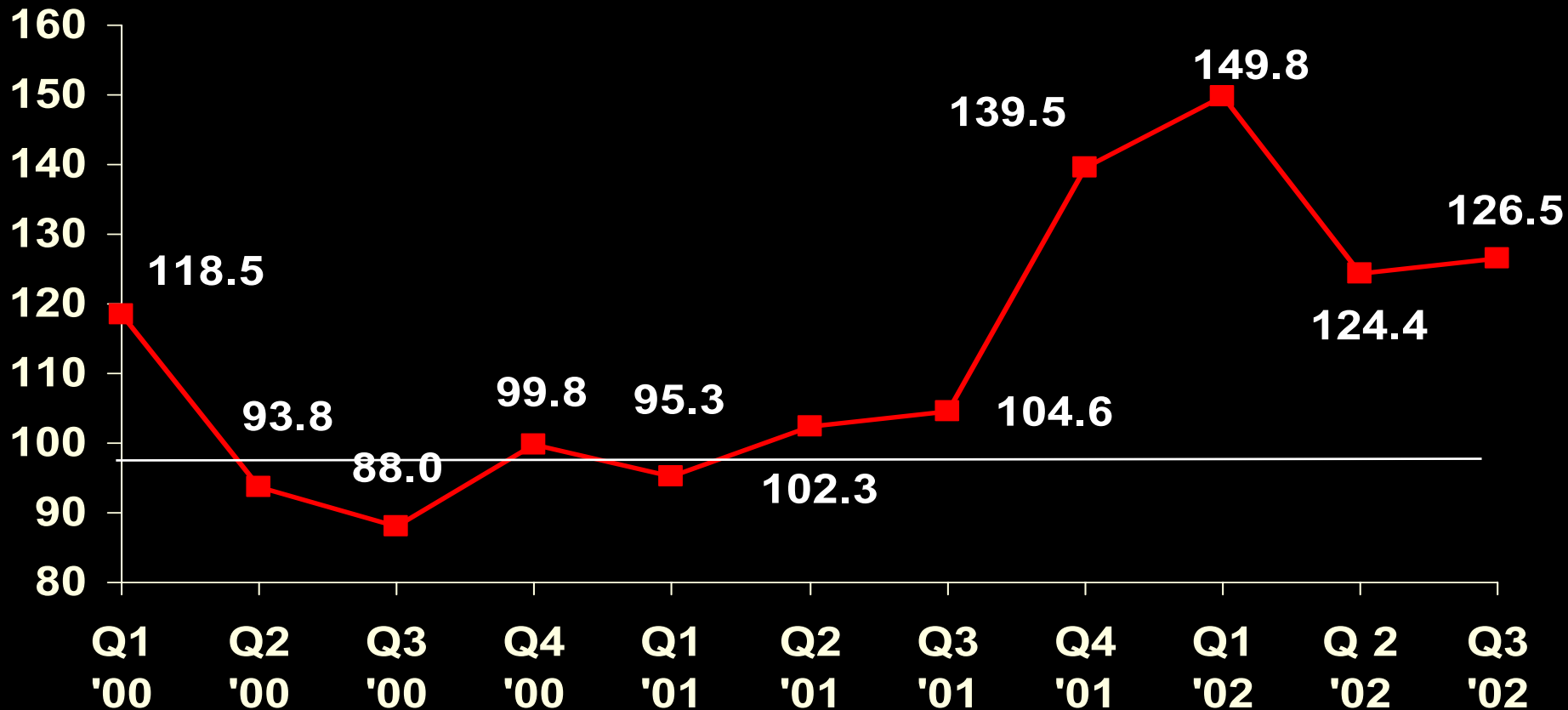


Source: Travel Industry Association of America



AFFORDABILITY INDEX

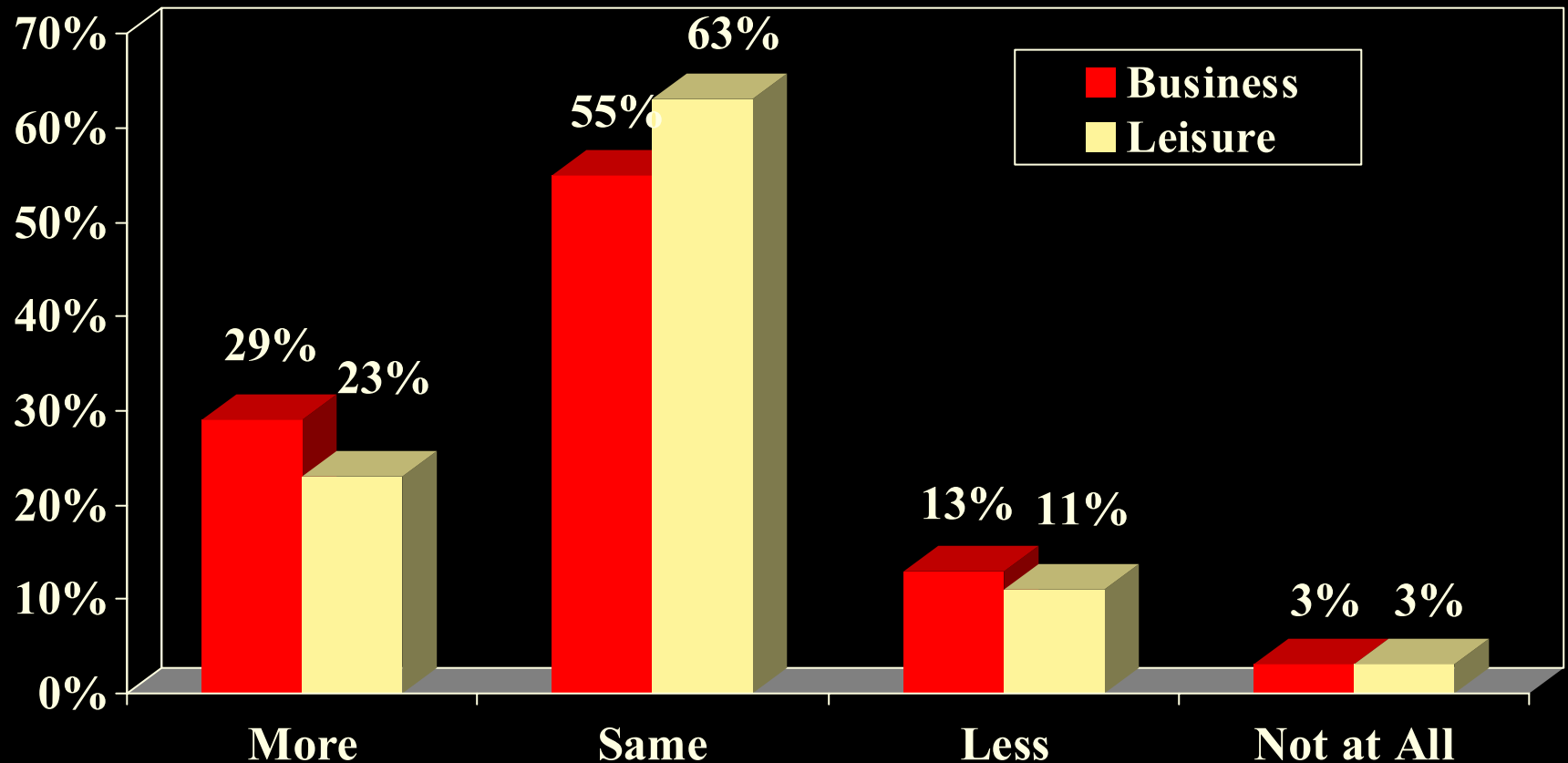
(U.S. Average, 2000 = 100 for Perceived Affordability of Travel)



Source: Travel Industry Association of America



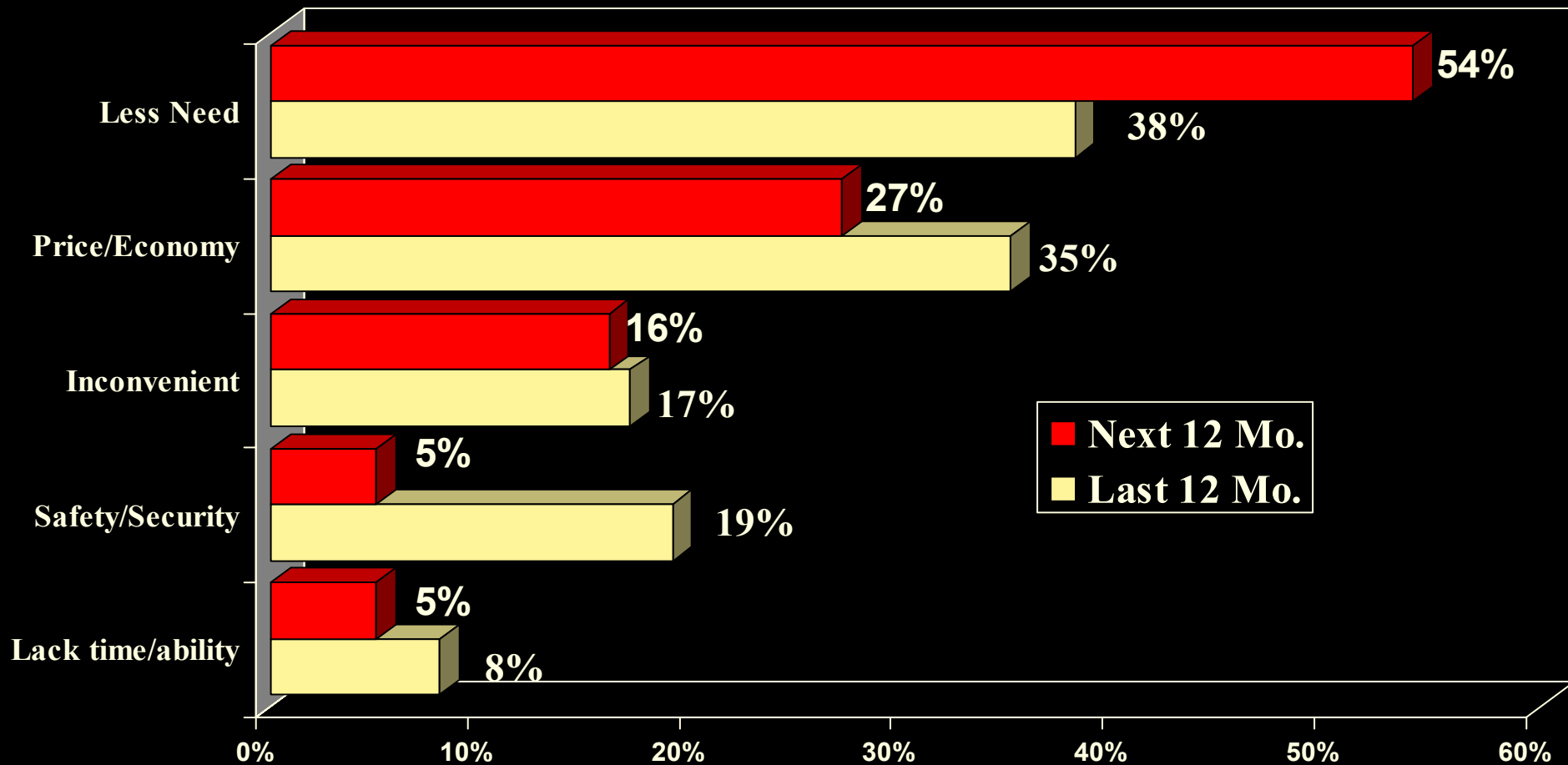
AIR TRAVEL FOR BUSINESS AND LEISURE, NEXT 12 MONTHS



Source: TIA and BTS



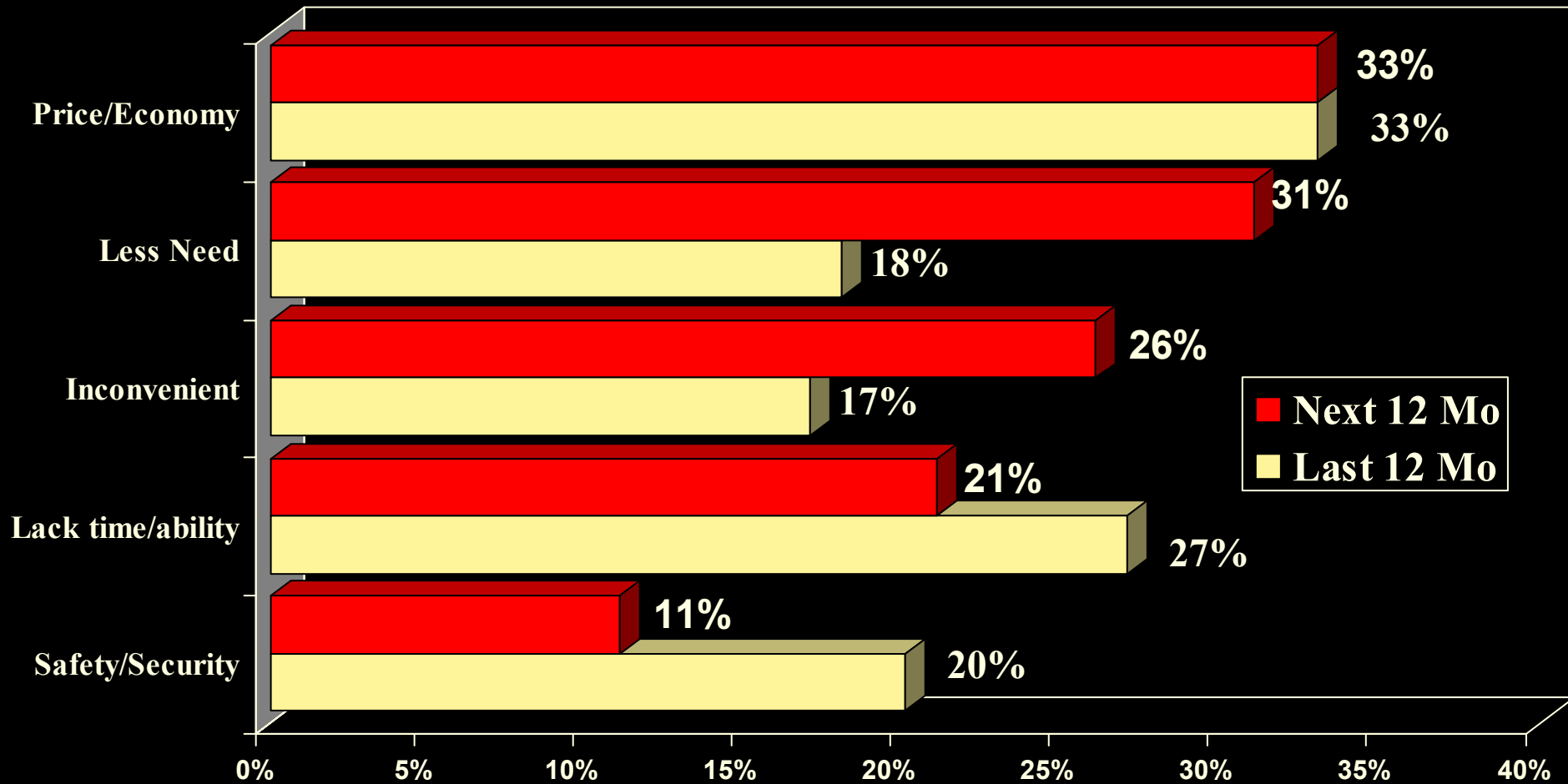
REASONS FOR TRAVELING LESS BY AIR FOR BUSINESS



Source: TIA and BTS



REASONS FOR TRAVELING LESS BY AIR FOR LEISURE



Source: TIA and BTS



TRAVELERS' USE OF THE INTERNET

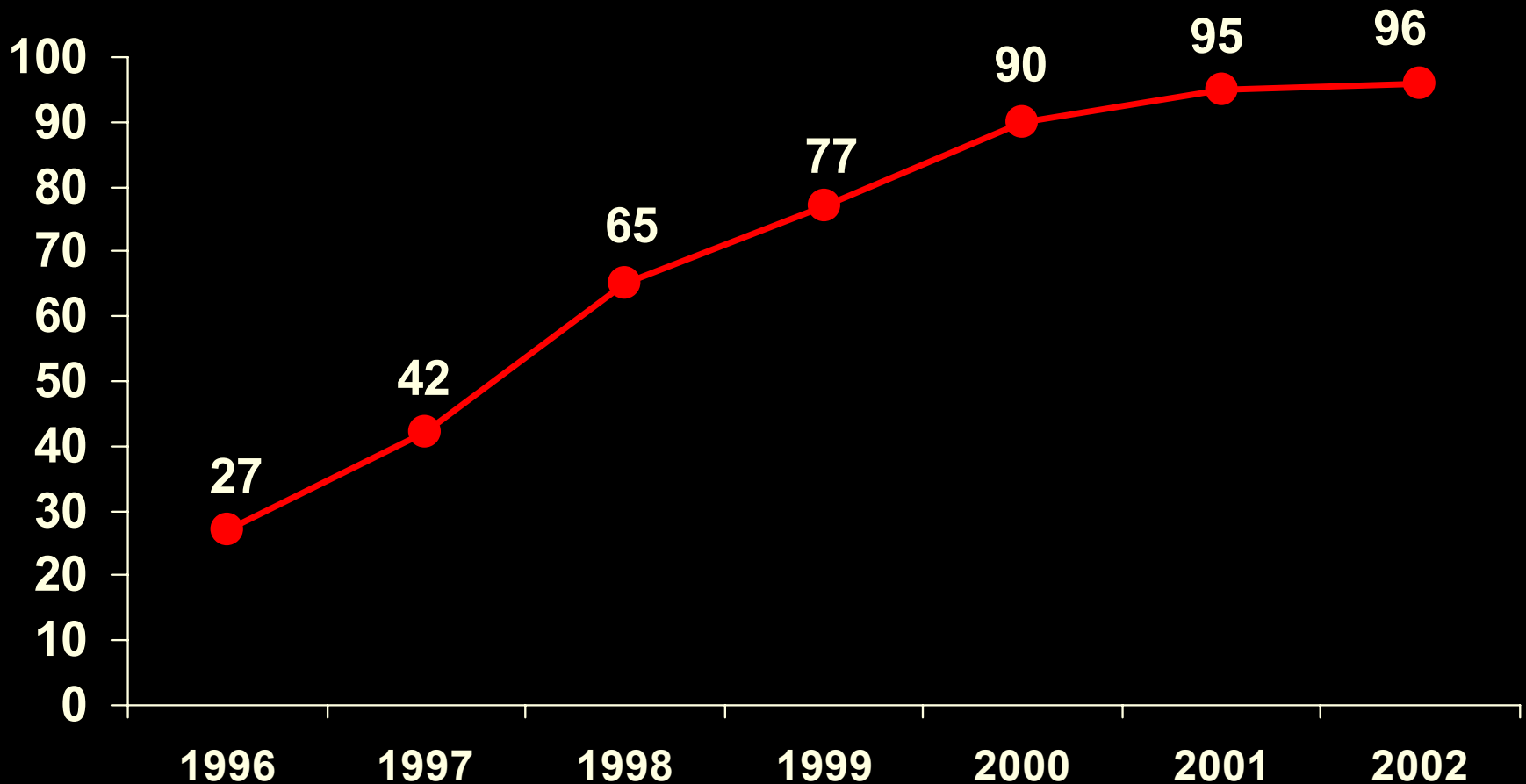
2002 EDITION



96 MILLION ONLINE TRAVELERS BUT GROWTH HAS PLATEAUED



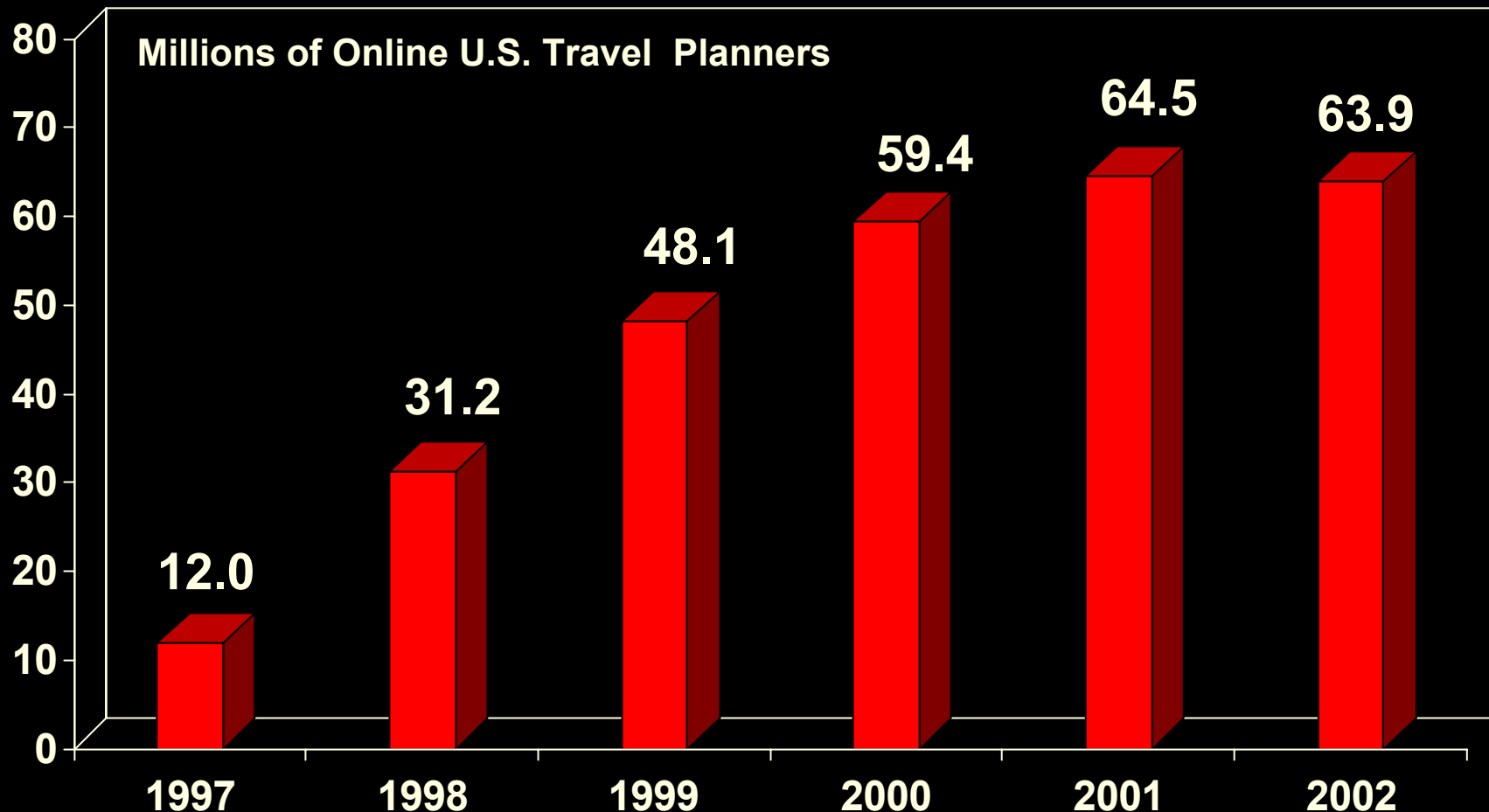
Millions of U.S. online travelers



Source: Travel Industry Association of America



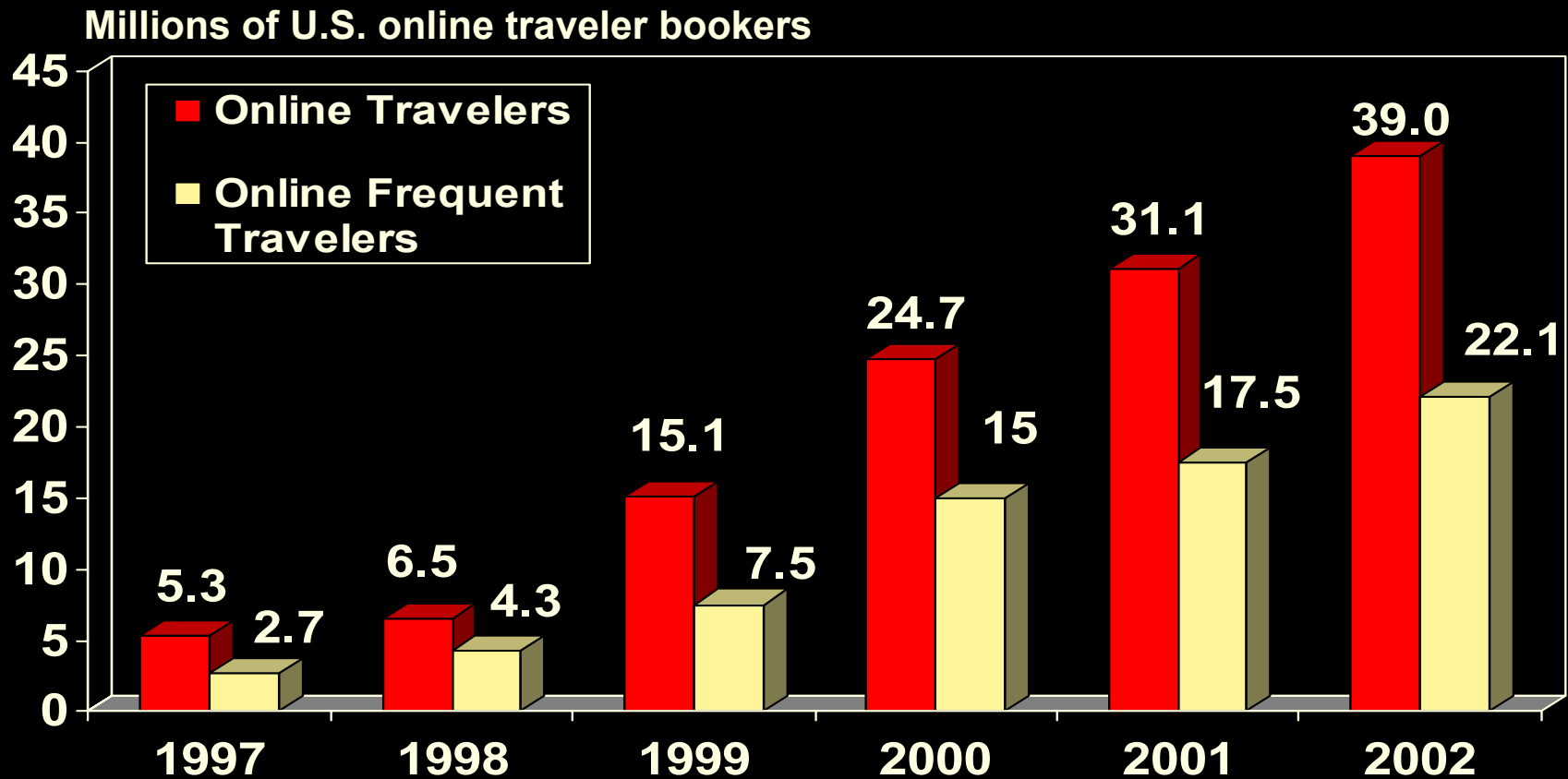
ONLINE TRAVEL PLANNERS NUMBER 64 MILLION IN 2002



Source: Travel Industry Association of America



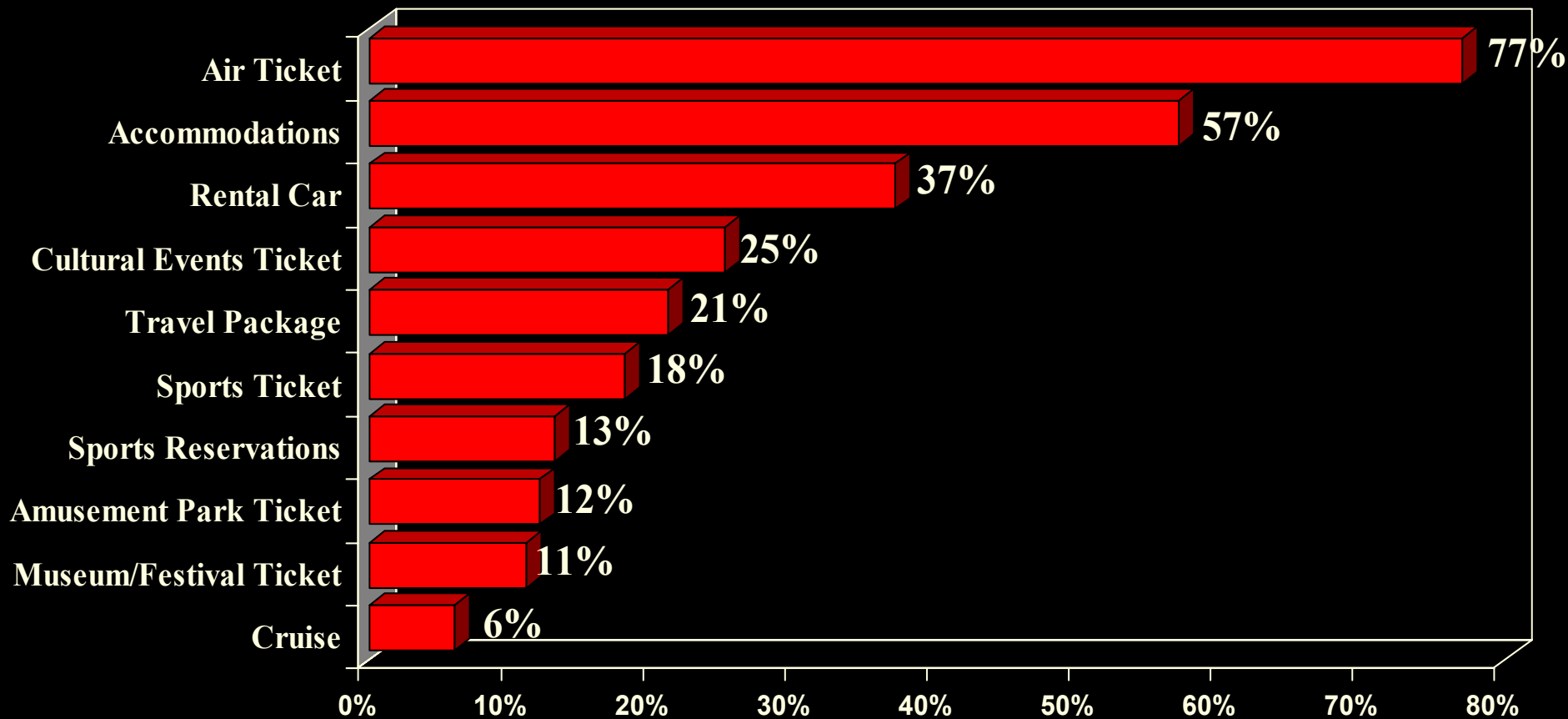
39 MILLION ONLINE TRAVELER BOOKERS AND GROWING



Source: Travel Industry Association of America



TRAVEL PRODUCTS BOUGHT ONLINE, 2002



Source: Travel Industry Association of America



E-TRAVEL TRENDS



- **Online travel bookings totaled \$24 billion in 2001; will grow to \$64 billion by 2007 (Jupiter Media Metrix)**
- **Accounted for 11% of travel bookings in 2001; will account for 22% in 2007 – growth in managed (corporate) travel bookings**
- **Encouraging later bookings/last minute travel**
- **Transparent pricing**

GEO TOURISM



WHAT IS GEOTOURISM?

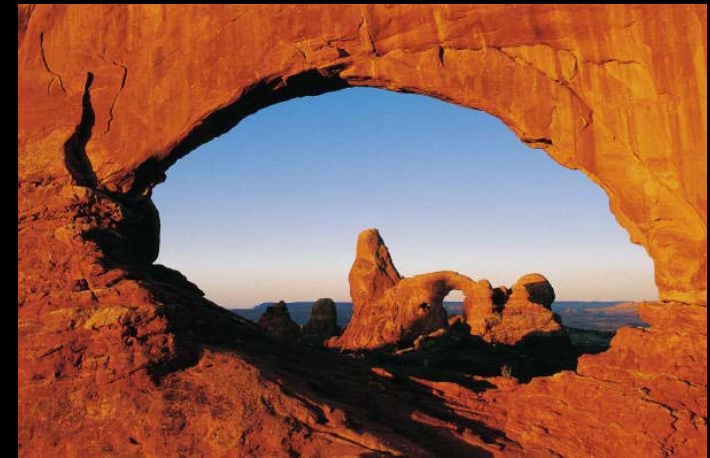


Tourism that sustains or enhances the geographical character of the place being visited - its environment, culture, aesthetics, heritage, and the well-being of its residents

GEOTOURISM PROFILES



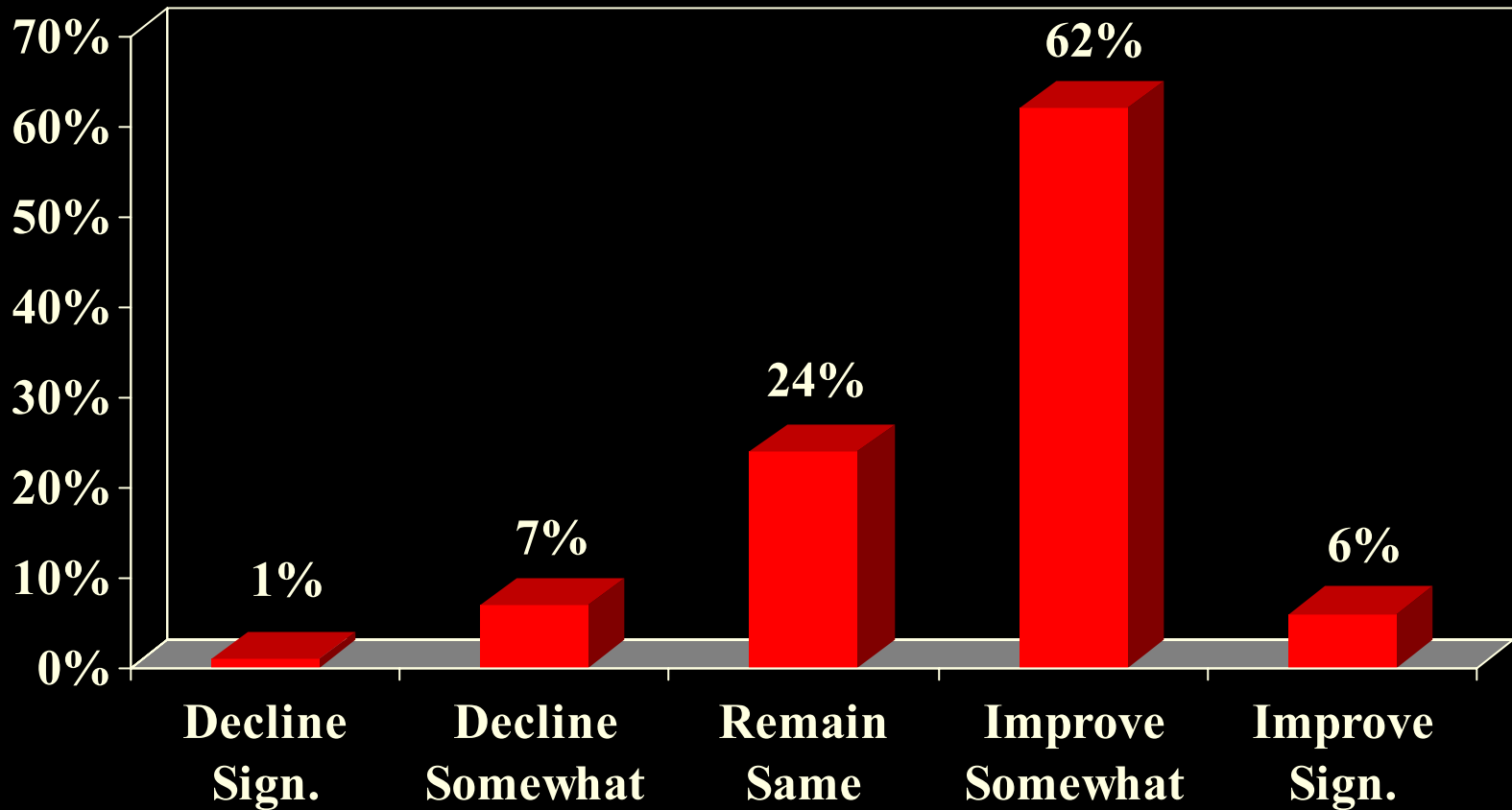
- Core Segments
 - Geo Savvys (16.3 million travelers)
 - Urban Sophisticates (21.2 million)
 - Good Citizens (17.6 million)
- Potential segments
 - Traditionals (16.1 million)
 - Wishful Thinkers (22.3 million)
 - Apathetics (19.9 million)
- Other low potential segments
 - Outdoor Sportsmen (21.0 million)
 - Self-Indulgents (19.9 million)



TRAVEL FORECASTS



TIA MEMBERS' BUSINESS EXPECTATIONS FOR 2003



Source: Travel Industry Association of America



RECOVERY IN THE U.S. AIRLINE INDUSTRY SLOW

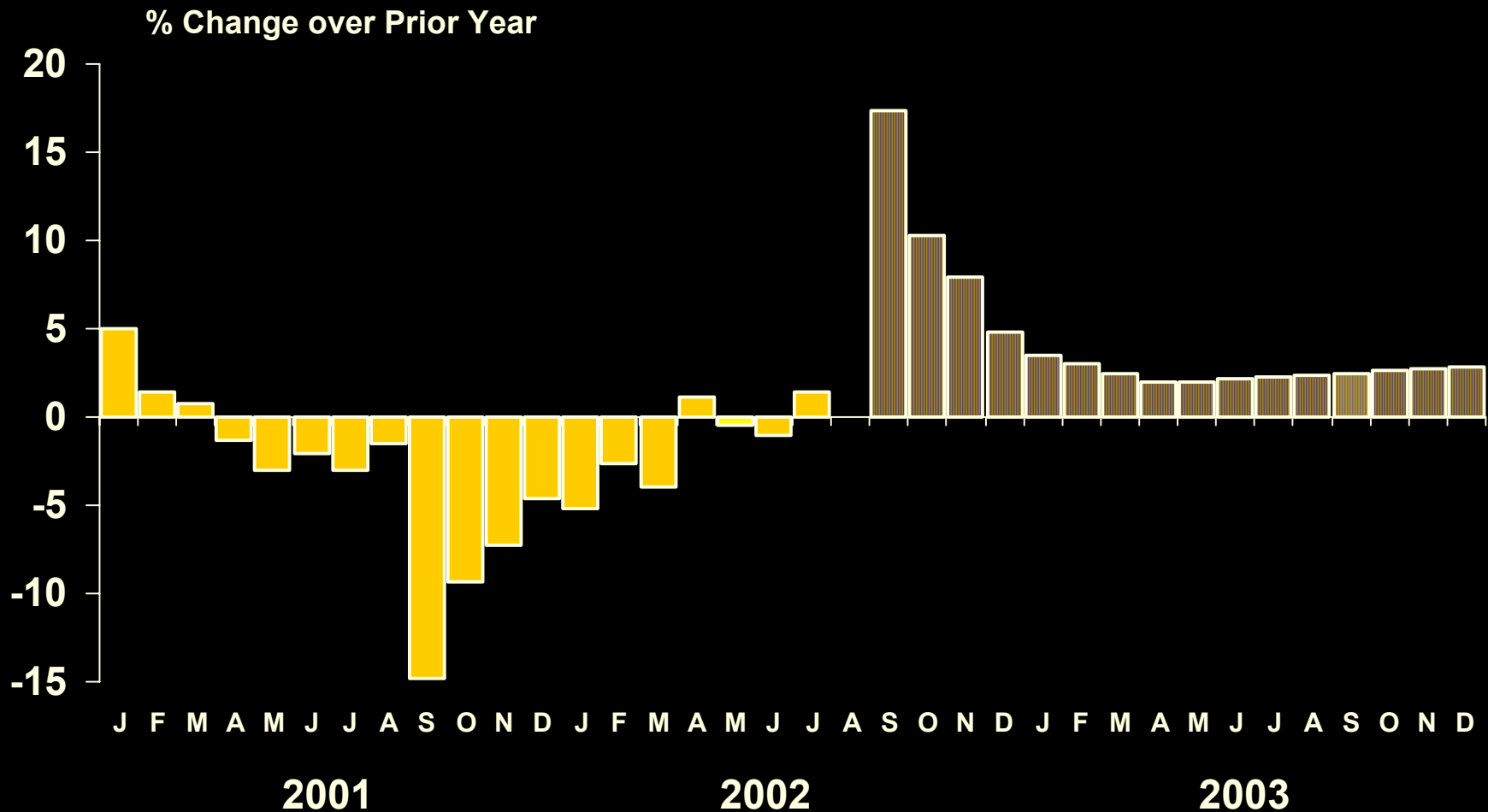


	<u>2002</u>	<u>2003</u>
Capacity	-4.5%	-1.0%
Total Air Passenger-miles	-1.5%	+1.0%
Prices	-7.0%	+10.0%

Source: Air Transport Association



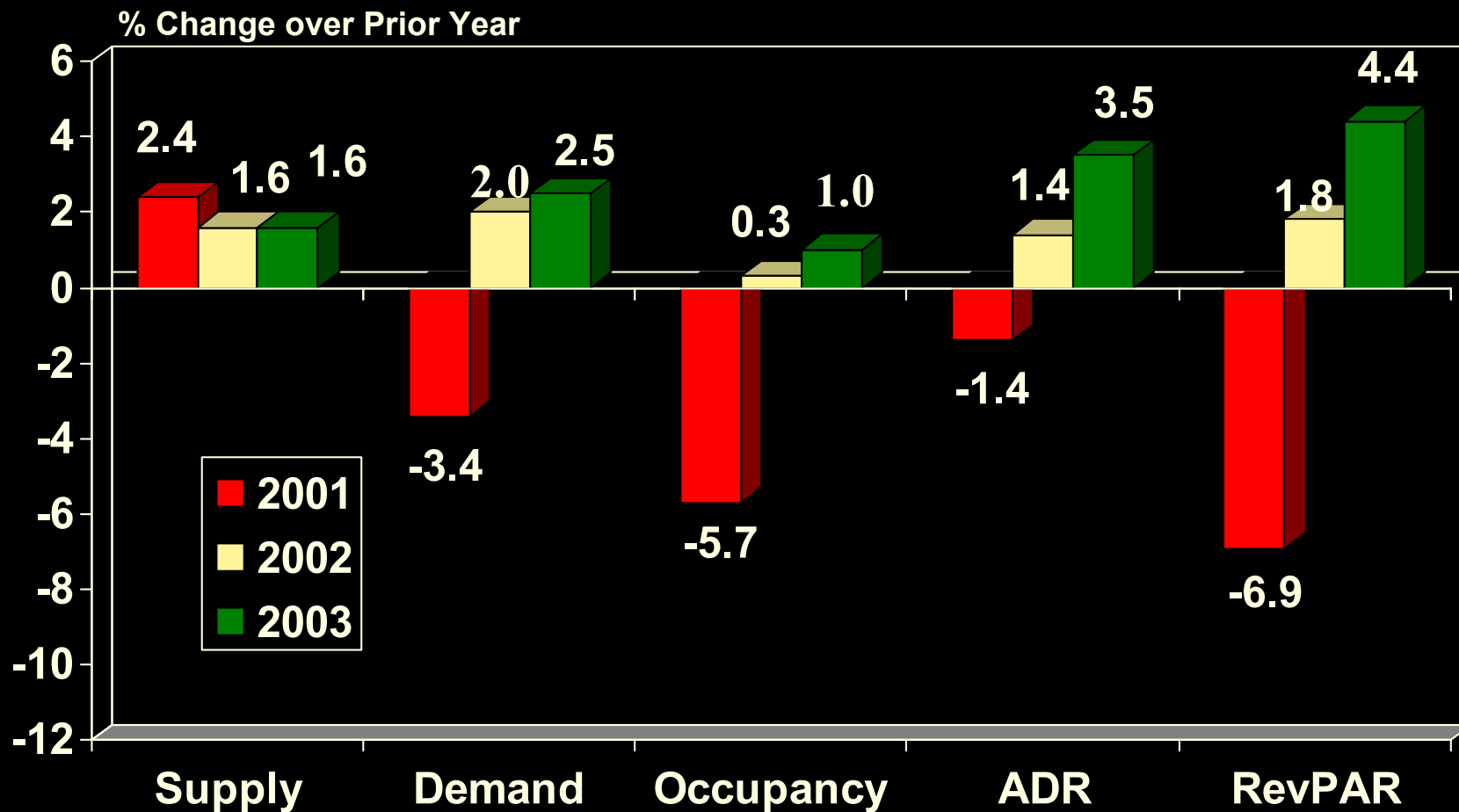
HOTEL ROOM DEMAND WILL GROW IN LATE 2002 AND 2003



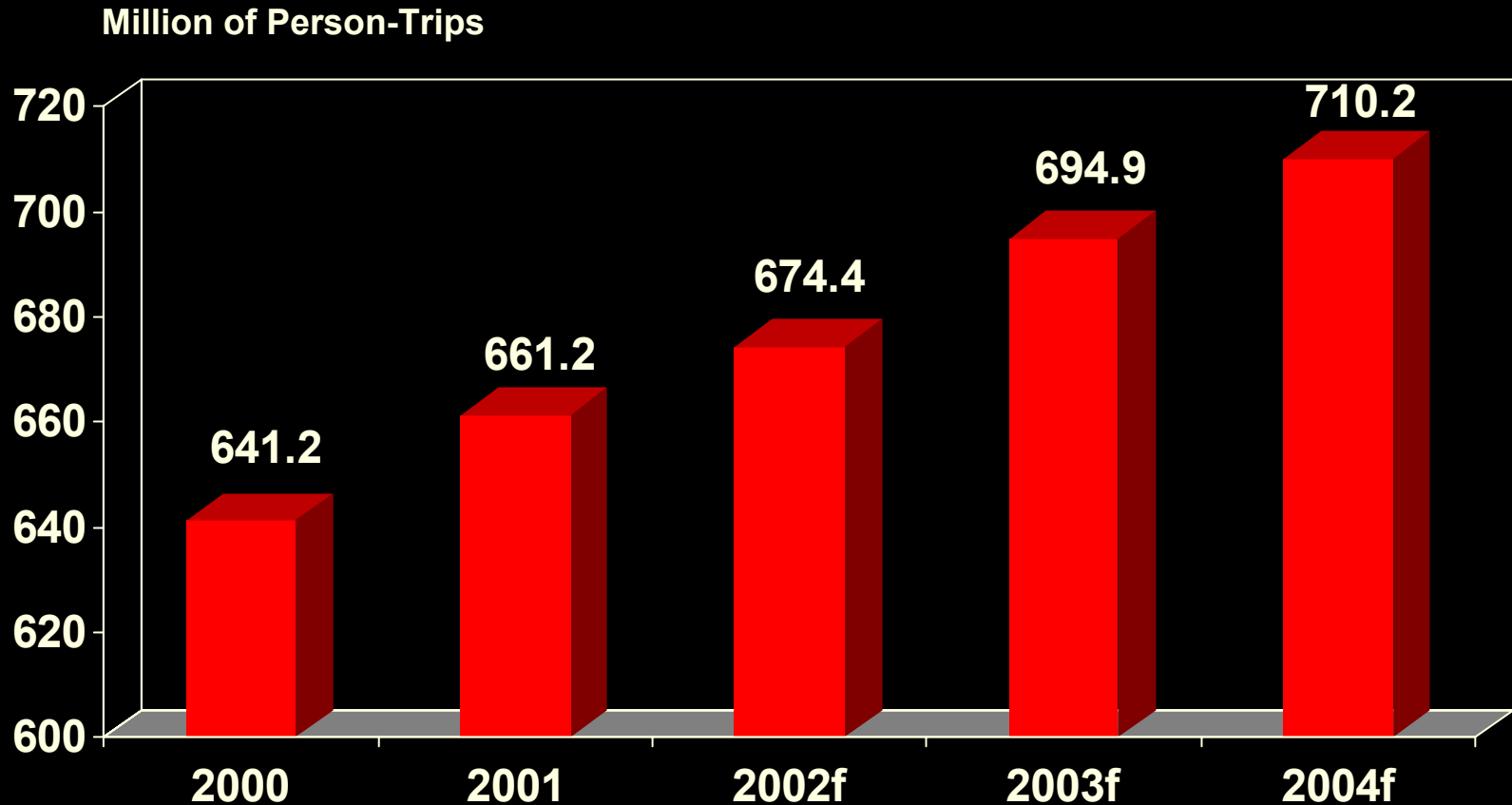
Source: Smith Travel Research



HOTEL PERFORMANCE IMPROVING IN 2002 AND 2003



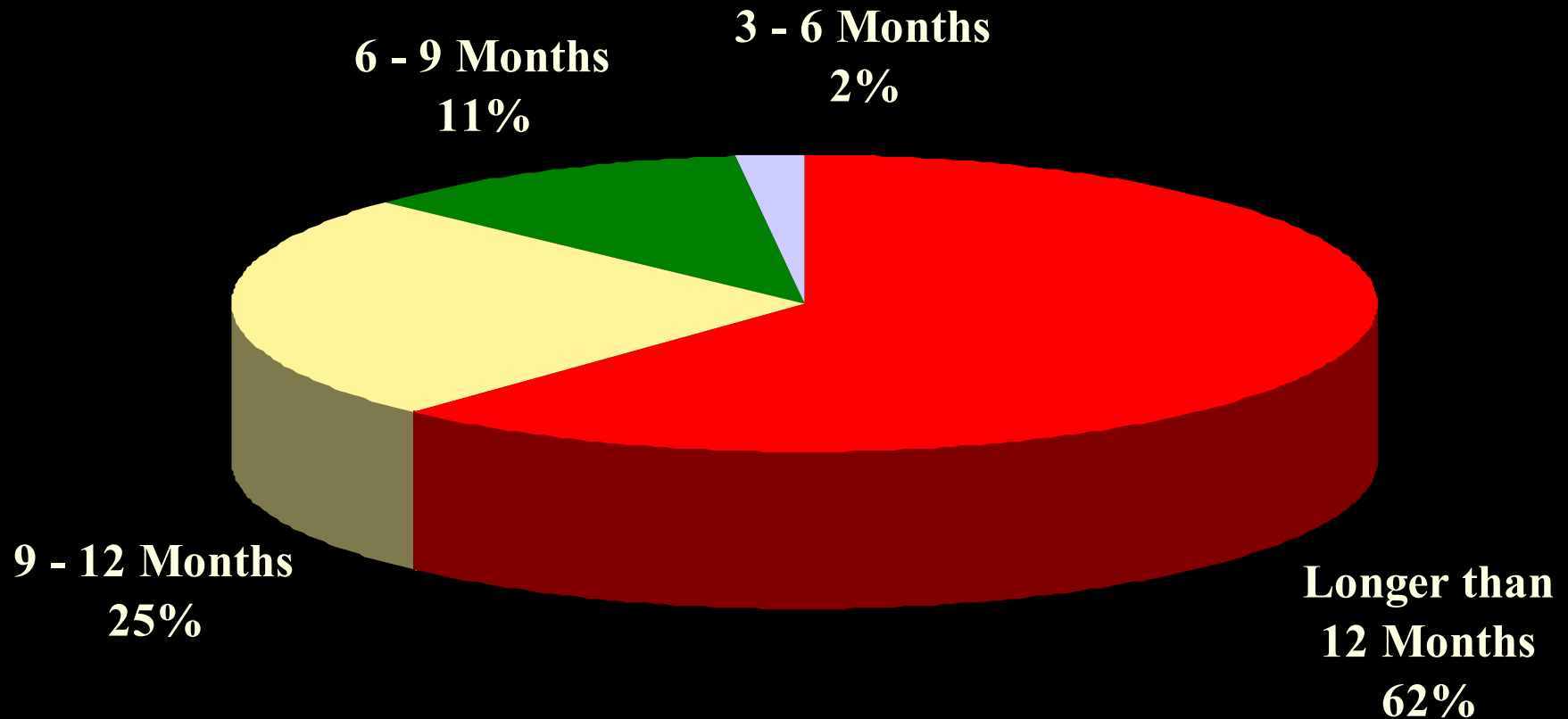
DOMESTIC LEISURE TRAVEL WILL CONTINUE TO GROW SLOWLY



Source: TIA and DRI-WEFA



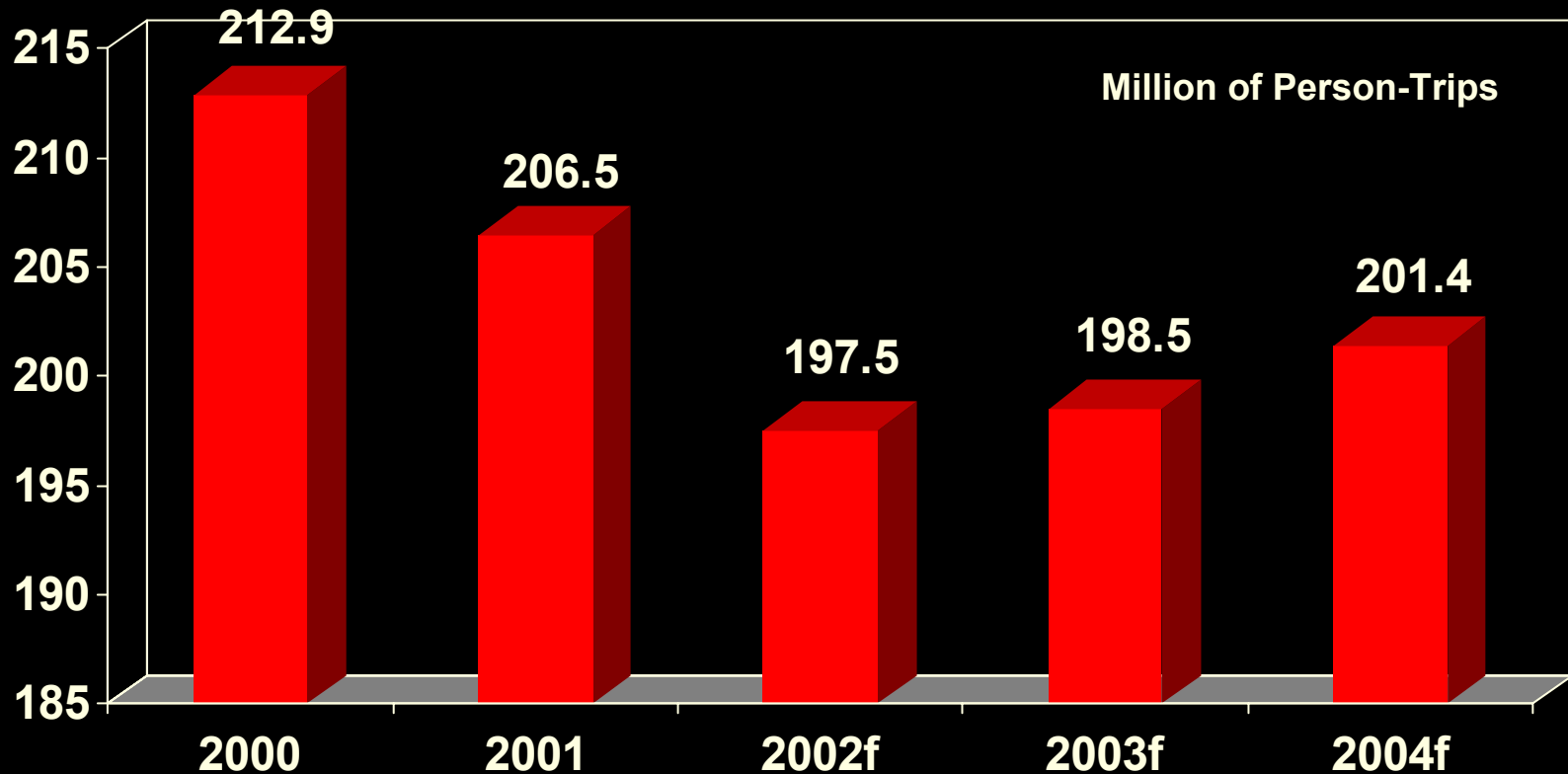
DELAYED RECOVERY EXPECTED IN BUSINESS TRAVEL



Source: National Business Travel Association



DOMESTIC BUSINESS TRAVEL WILL RISE SLIGHTLY BUT REMAIN WELL BELOW 2000 LEVELS



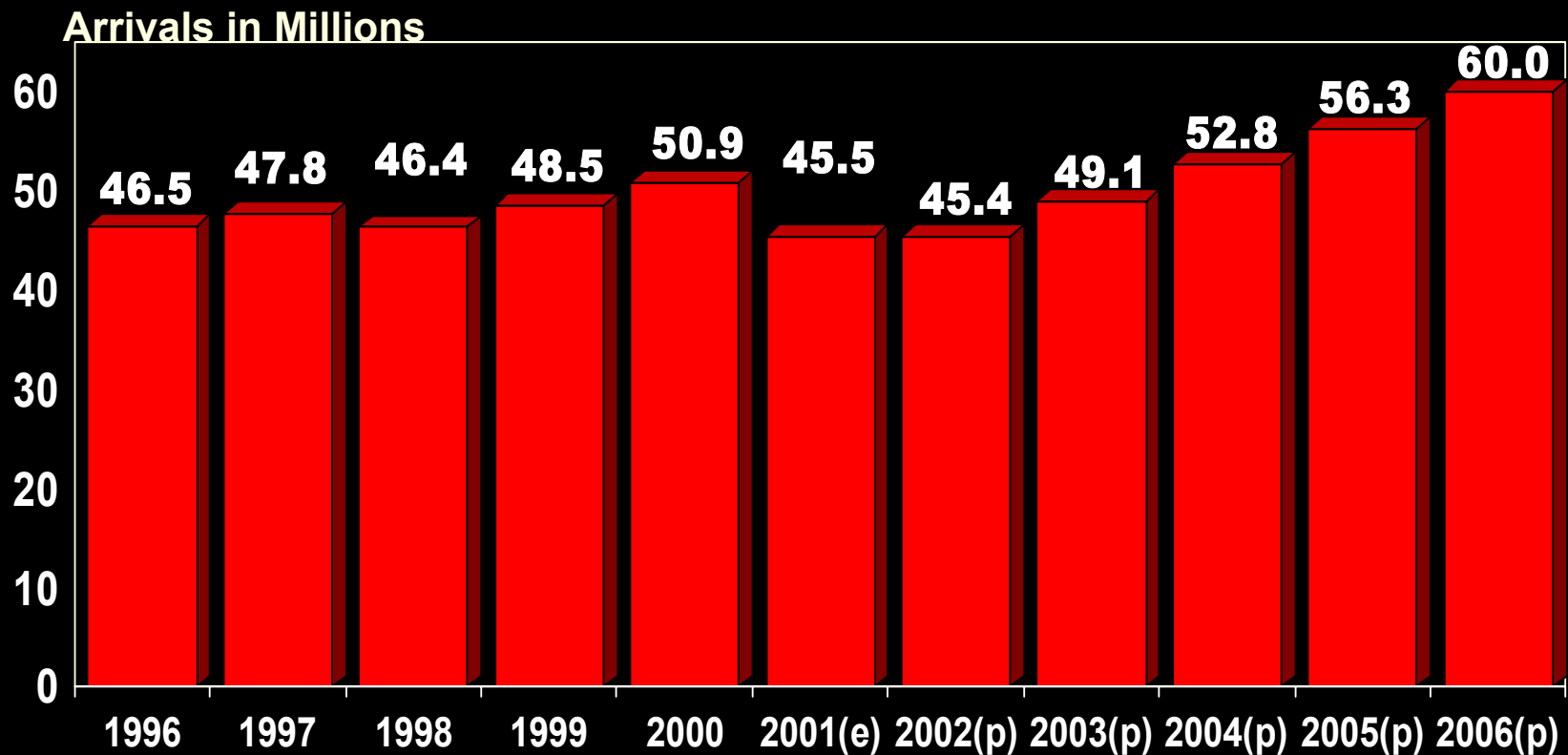
Source: TIA and DRI-WEFA



FORECAST OF INTERNATIONAL VISITORS



1996 – 2006(p)



Source: OTTI



SHORT-TERM FORECASTS FOR WORLD REGIONS

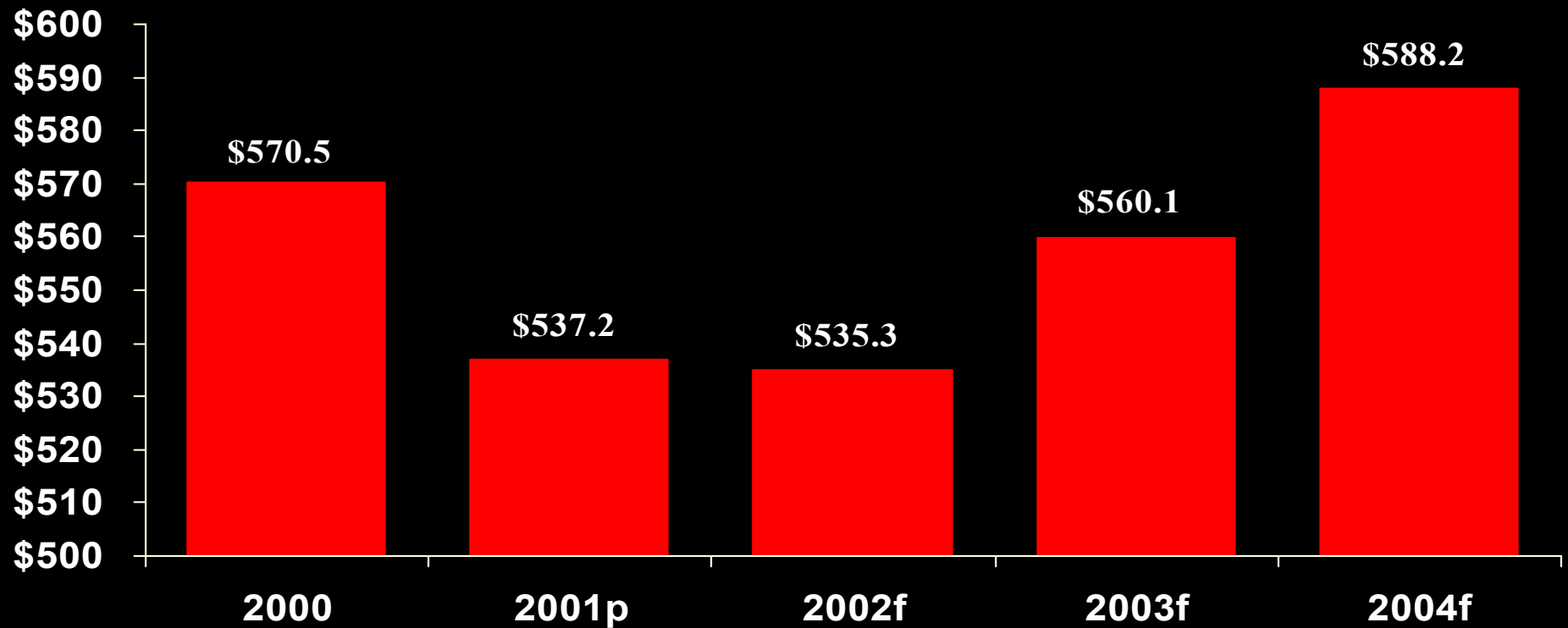
(in thousands)

	2001e (000)	2002(p) (000)	% Change 02/01	2003(p) (000)	% Change 03/02
North America	23,065	23,429	1.5%	25,360	8.2%
Europe	9,815	9,840	0.3%	10,747	9.2%
Asia-Pacific	7,000	6,896	-1.5%	7,402	7.3%
South America	2,605	2,342	-10.1%	2,415	3.1%
Caribbean	1,257	1,274	1.4%	1,374	7.8%
Central America	807	826	2.4%	904	9.5%
Middle East	652	552	-15.4%	580	5.1%
Africa	290	277	-4.5%	299	7.8%
International Total	45,491	45,436	-0.1%	49,080	8.0%

TOTAL DOMESTIC AND INTERNATIONAL TRAVEL EXPENDITURES IN THE U.S. 2000-2004



Billions



p = preliminary; f = forecast

Source: TIA, DRI-WEFA and OTTI



A SLOW ROAD TO RECOVERY OVER NEXT FEW YEARS



- **Americans attachment to travel is strong and there is pent-up demand**
- **Recovery in 2002 slower than expected and has stalled in some sectors**
- **Business travel the most seriously affected**
- **Leisure travel continues to grow but is fragile**
- **Some changes will continue in leisure travel choices**
- **Travel suppliers likely to put more emphasis on leisure travel; attractive pricing for consumers**
- **Revenues under pressure; sizeable losses**



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Mtorrey@tia.org